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MAY 2014



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Andrew McIlree's goal is to make more money. But not for himself.

Andrew McIlree's passion is philanthropy. An associate development officer, he raises money for Children's Hospitals and Clinics of Minnesota to help sick kids get better. "It doesn't get any more meaningful than that," he says. He chose St. Kate's Master of Arts in Organizational Leadership because he wanted to deepen his leadership skills by concentrating on vision, values and community. For McIlree, the program proved immensely enriching.

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Of Vanity and Virtue

Findings from my junket to Minnesota's filmmaking industry.

It began with absurdity—folklore of a woman who journeys from Japan to find the money buried beneath snow along a fence line in the movie *Fargo*, a fable turned into a movie filmed in Minnesota last year, called *Kumiko, the Treasure Hunter*.

So strange a concept that I embarked on my own adventure in the last six months to learn how a movie like this becomes reality, why it was filmed here and how it will benefit those who produced it. Along the way I discovered how *Kumiko* is part of a much bigger tale about a somewhat hidden, up-and-coming industry in Minnesota.

And I had the opportunity to watch *Kumiko*, along with a few other films at the Sundance Film Festival in January. Some of you are already fans of these types of movies, but I had never really taken them in before and was surprised at how good they were—from *Kumiko* and another film shot here in 2013, *Dear White People*, to the documentary *Return to Homs* (it won Best Documentary for its moving chronicle of the rise and near-fall of a 19-year-old national soccer team goalkeeper who becomes a protest leader and then a fighter in Homs, Syria) and *Frank*, a fun, offbeat comedy about a wanna-be musician who finds himself out of his depth when he joins an avant-garde rock band led by a musical genius who hides inside a large fake head.

Kumiko and *Dear White People* were two of only three feature-length movies shot mostly in Minnesota last year. The two were among 12,218 submissions to Sundance Festival planners, 4,057 of which were feature-length films. From this field, *Kumiko* and *Dear White People* stood out early as among “the five most anticipated films” at Sundance, according to *BusinessWeek*, before eventually winning two of only 16 awards presented to such films this year.

Kumiko is a well-filmed, sometimes funny journey with a painfully shy yet adventurous character. It's different. But it's worth seeing if you like movies as a form of art, and because of how well it shows Minnesota cold on the big screen, with a poetic blend of cinematography and music as planes at Minneapolis/St. Paul International are de-iced. Later, Rinko Kikuchi,

who plays Kumiko, is seen walking along a road as strong sub-zero winds pelt her with snow; despite her lack of warm clothes, she just keeps walking. She so convincingly ignores the cold, as she does every other obstacle, including signs that perhaps the treasure doesn't exist—as they say, it's the journey that matters.

Dear White People is a bold, fresh take on race relations in the United States in the 21st century, instead of decades ago as

Minnesota has, setting our workforce apart from many others.

There's much more to be shared here, and I hope you'll read the story (“Take Two,” page 36). The aspect I find most appealing is that every movie producer is entrepreneurial. He or she has to develop a plan, sell it to investors, create a product and get the market to like it enough for someone else to agree to distribute it to the masses.

And any good entrepreneur pursues the

recession-related budget cutting and differing views of such things by whoever is in the governor's mansion at a given moment. Meanwhile, 41 other states, Canada, the U.K., Australia and other countries began or increased their incentives to attract filmmaking.

It gets a bit insulting when even the television series *Fargo* isn't being shot here. FX was scheduled to begin showing a 10-episode limited series of the same name starting April 15, starring Martin Freeman and Billy Bob Thornton. It was filmed in Alberta, Canada.

For the first time, Minnesota Film and TV has substantial state backing to incent movie, television and commercial producers and directors to film here instead of elsewhere. Specifically, the Legislature granted \$10 million to rebate such activity similar to how consumers receive rebates from Menards: show proof of purchase with valid receipts and you get your rebate. The point here is that they must first spend money in Minnesota before getting a rebate of up to 25 percent of filmmaking costs.

It's a smart economic development program, one that generates anywhere from \$2 to \$10 in economic output for every dollar spent, based on industry research reports. The one movie I looked at that filmed here last year generated \$4 in direct spending for every \$1 in rebate funding.

More importantly, such spending creates jobs, launches or further establishes careers and helps grow an industry (one that, by the way, inherently then markets Minnesota to the rest of the world). One example: Melrae Pictures in Minneapolis. It received a small rebate years back to fund a project that tapped more than 20 professionals here. Since then, they've found work on other projects and reunited to produce two additional movies, all without rebates. That one rebate primed the pump, and business continues to flow from there. Melrae's now producing some of the world's best 3D movies for IMAX theaters.

Will Minnesota continue to provide incentives to filmmakers so we can have more Melraes? Will big studios start filming here again as they did in the '90s? Can this industry grow to the heights its biggest fans believe it can reach? I hope so. **TCB**



most Hollywood productions continue to present. A story about four black students attending an almost all-white Ivy League college, it brings its audience into current and to some, controversial relationships among black, white and biracial individuals and their families. As *Ordinary People* in the 1980s helped us discuss more openly the issues of depression and family dynamics, this movie invites viewers to address their own feelings on race today.

Both are excellent films in their own right, and both were made in Minnesota because of the caliber of the people they could find here. That is to say, talent—and Minnesotans' willingness to take the extra step to make something as good as it can be, even if we don't have the budget and resources we'd like. Business owners with operations elsewhere in the world know this is one of the strongest economic assets

best means by which he or she can stretch the dollars they have to work with. Even with our savvy workforce and its stellar work ethic, we need to provide a rebate to be competitive in this industry (even California is now providing financial incentives for filmmakers). I hate saying that, as I don't usually think tax dollars should prop up industries that can't stand on their own. But in this situation, we're talking about a rebate on money we otherwise would never see.

The Minnesota Film and TV Board has been scraping along, doing a good job even though it was financially starved nearly to death in recent years, just as other states fattened their film boards or commissions with additional funding. Minnesota Film and TV also had little, and sometimes no financial incentives to offer to producers who wanted to film here. Reasons include

Letters

Charitable giving won't muddy residency status

» I enjoyed your recent article on charitable giving in Minnesota, "Financial advisers seek greater clarity on Minnesota residency status," from the April 2014 issue. Since I was interviewed, I came across some additional information. So I would like to clarify one point I made in this article.

In *Mauer v. Commissioner of Revenue* and *Larson v. Commissioner of Revenue*, the Minnesota Supreme Court says that the factors a court may consider in determining residency are not limited to the list of 26 factors published by the Minnesota Department of Revenue, but that they will consider all of the facts and circumstances to determine a taxpayer's residency for tax purposes. The upshot is that, unless we have clear guidance in the tax statutes that something may not be considered, we as advisors can't say for certain that a court won't consider it in determining residency.

Charitable giving, however, is one area that has been clarified by statute. Minnesota Statutes section 290.01, subd. 7(c), says: "Neither the commissioner nor any court shall consider charitable contributions made by an individual within or without the state in determining if the individual is domiciled in Minnesota." The Department of Revenue's statement that gifts to charities will not be considered is consistent with the statute.

Giving to Minnesota-based charities is one tie with Minnesota that no one needs to break in order to change residency for tax purposes.

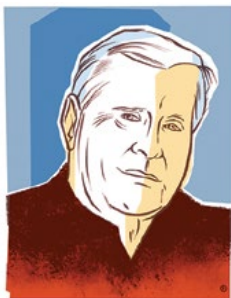
Also, for the record, I am not generally encouraging my clients to leave Minnesota!

Michael P. Sampson, attorney
Minneapolis



You Said

We welcome comments about *Twin Cities Business* articles and columns. Please send your opinions to edit@tcbmag.com.



A listening must

"I wish there were more people like Tom Barnard in the world ["The Business of Barnard," March *TCB*]. He's big-hearted with a no-nonsense way of life, which I know has contributed to his success. I'm glad that the podcast lets Tom and crew expand and unleash their creativity.

He is bringing the landscape of broadcasting to a whole new level. He is ahead of the game and is paving the way for future ventures in podcasting.

The listenership is shifting to on-demand programming. So, smart businessman that he is, he seized the opportunity."

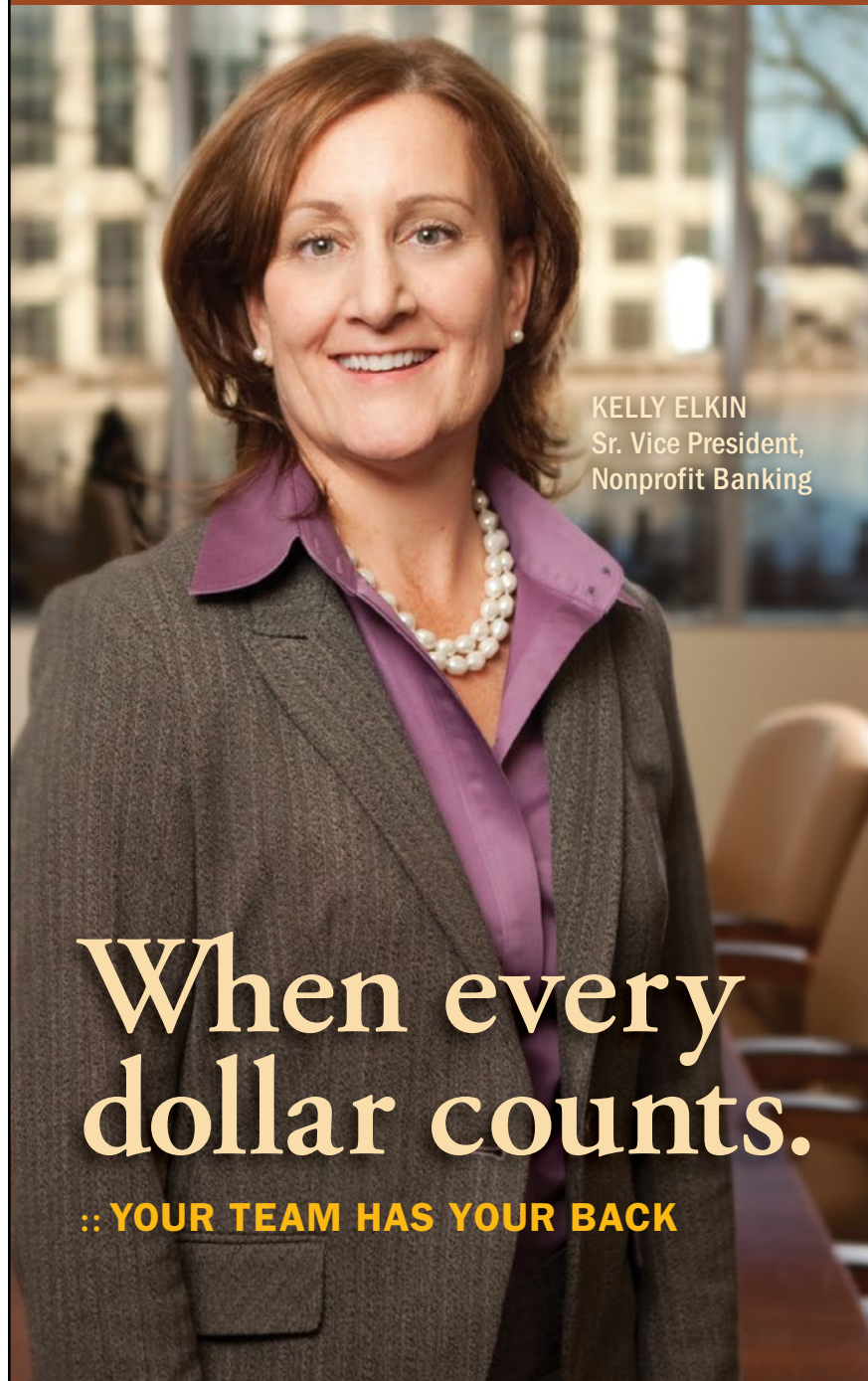
Cassie Plummer

"I've listened to Tommy since I was a kid in Thief River Falls, and he was the Catman, evenings on KSTP. They used to turn up the power after sundown in those days on the AM giants, and we could finally get some relevant music up to the frozen tundra.

Like him or hate him—and I like him—you have to tune in to hear what he's going to say."

Randy Dallman

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Measuring the Benefits of CRASHED ICE

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With claims of more than 100,000 spectators and a \$15 million economic impact, where did all the money flow?

For the last three years, Red Bull's Crashed Ice event has brought swarms of fans to Cathedral Hill in St. Paul. The spectator count offered by the city has leapt from 80,000 in 2012 to 115,000 last year to 120,000 this year (despite brutally cold temperatures and heavy snow). The touted economic impact—between \$10 million and \$15 million (\$125 per person on average)—is impressive indeed. The process by which the estimate is generated, though, involves lots of estimating and extrapolation.

The spectator count for the Saturday-night event, says Jake Spano, marketing director for the City of St. Paul, is determined in consultation with the police, fire and parks departments. Each takes a rough sampling of a few areas and the city extrapolates from there.

The economic impact calculation is outsourced by the city's

visitors bureau, Visit Saint Paul, to a company called Destination Marketing Association International. It draws on 10 data sources, such as consumer surveys, data management organizations and the U.S. Bureau of Economic Analysis, to compare the event with previous events with similar characteristics.

Visit Saint Paul considers length, type of event and how many “hotel night stays” were contracted by Red Bull—a staggering 2,737 for the production team, media, athletes and sponsors. The DMAI calculator, after also taking into account local factors such as hotel and income tax rates, then builds an impact report.

The calculation measures direct impacts such as attendees’ spending at restaurants and wages of those contracted to work the event, and indirect factors like restaurants hiring more

staff for the weekend.

Nearby bars are an obvious beneficiary. Ryan Huseby, general manager at the Happy Gnome, says Crashed Ice brings him more business than any other day of the year: Sales were 20 percent higher than average on the Saturday of the event, he says.

Just down the road, however, W.A. Frost & Co. was less pleased. “We actually saw a slight dip in sales that Saturday. While we had a lot of foot traffic, it was generally people stopping in for a beer or two, so our per-person sales were much lower than average,” says Robert Crew, director of food and beverage operations, who adds that traffic congestion kept regular, better-spending customers away.

In the end, though, Spano says “it has really become a signature event for the city and we hope Red Bull decides to bring [it] back next year.” —Kevin Mahoney



FILTERING PHILANTHROPY

Thrivent wanted to give its customers a greater voice, which brought it noisy dissent.

➤ A recent squabble over Thrivent Financial's giving programs illuminates the potential pitfalls of corporate philanthropy.

Thrivent, an \$8.5 billion Minneapolis-based Fortune 500, is largely tax-exempt due to its status as a "fraternal benefit society." Such organizations form around a common bond—for Thrivent, Christianity—and consider customers "members." Thrivent distributes to charitable causes the money it would otherwise pay in taxes, and its nearly 2.4 million members have varying degrees of control over how funds are allocated via its Thrivent Choice program.

In late 2012, Thrivent began allowing members to add "any 501(c)(3) that was in good standing" to an existing roster of 24,000 eligible organizations, says Teresa Rasmussen, senior vice president, general counsel and corporate secretary. The move was meant to grant members "a greater say."

"We knew the risk going in," she says. "This will go under 'lessons learned.'"

Lutheran pastor (and non-Thrivent member) Michael Schuermann, who runs a blog called Daring Lutheran, lambasted the inclusion of "pro-abortion" organizations such as Planned Parenthood (added by Thrivent members). Adding fuel to the fire, he revealed PP was eligible for funds through Thrivent's employee gift-matching program. The protest snow-

balled on social media.

To tamp down the flames, Thrivent instituted a "neutrality policy," excluding organizations whose primary purpose is "certain social, politically partisan or health and human services causes and issues, such as abortion, sexual orientation or guns"—in essence, the model that governed Thrivent Choice for 20 years, says Rasmussen. Religious watchdogs that first cried foul now lament the exclusion of anti-abortion causes.



Thrivent differs from most businesses due to its religious ties, but its neutrality policy resonates broadly. **Perhaps the most cogent lesson for businesses with philanthropic programs is how a seemingly meager amount of money can balloon into a cause célèbre.** Less than \$70,000 of the \$49 million awarded through Thrivent Choice in 2013 went to now-ineligible recipients, and only a "very minimal" portion of the \$11.7 million distributed through employee gift-matching did, says a Thrivent spokesperson.

"The learning we took away is that . . . [members'] passion and mission wasn't our passion and mission," says Rasmussen, who adds that Thrivent is now "focused on the things that unite us and bring us together . . . [rather] than these few issues our members can't agree on."

—Jake Anderson

BIG NEWS

TAYLOR CORP. CEO and Timberwolves owner Glen Taylor signed a letter of intent to buy the *StarTribune* from Wayzata Investment Partners. Terms were not disclosed.

LOCALLY BASED ACKERBERG GROUP agreed to purchase Calhoun Square from New York-based Black Rock. CEO Stuart Ackerman said he had plans to "urbanize" the complex, which is 88 percent leased.

PARALLEL UNIVERSE

Metro Transit's Green Line LRT will replace more than 500 adjacent bus trips next month. Or will it?



➤ When Metro Transit's Hiawatha Line opened a decade ago, the Route 180 Mall of America express bus, which served the same endpoints over very different routes, was eliminated. When Metro Transit's Green Line LRT opens next month, it will quickly render more than 500 daily parallel bus trips superfluous.

Or not. Turns out, the agency plans to eliminate only one of the three routes, which run, often literally, adjacent to the line, and it will not reduce its fleet or total bus trips.

Currently 26,000 riders use routes 16, 50 and 94 on an average weekday, says Metro Transit director of service development John Levin. Route 16, which most know as the University Avenue line, will drop from 10- to 20-minute frequencies and no longer travel into downtown Minneapolis. Route 50, the limited-stop line to the University of Minnesota, will go away entirely. And Route 94, the express freeway route, will maintain weekday service, but run less often nights and weekends. (The nonstop 94D will still best the Green Line's 40-minute downtown-to-downtown trip time.)

Buses and drivers excessed from these

east-west trunk routes will be reallocated to serve lines funneling passengers to the Green Line (mostly north-south routes).

That the transit agency is not choosing to reap all possible savings may be counterintuitive, but Metro Transit has reasons. LRT stops are up to a half-mile apart, says Levin; Route 16 stops every eighth of a mile, a significant difference for the mobility challenged. Route 94 "has a significant commuter market with heavy end-to-end peak ridership," Levin says. "They are riders concerned about travel times," and the agency isn't sure they will find the stop-and-go on the Green Line a satisfactory substitute.

Green Line service will not resemble the LRT speedway along Hiawatha. Trains will have "signal priority," as in downtown Minneapolis where the stoplights cycle slightly to the train's benefit, rather than signal "preemption" on Hiawatha, where the LRT causes the lights to change.

Metro Transit admits that guesswork is involved, and understands adjustments may be inevitable. "You have to make some assumptions," says Levin. "But we know how our riders use the system."

—Adam Platt

BROOKLYN PARK REBRANDS

The city has commissioned an ad campaign to convince people that it isn't all crime and apartments.

Mike Sable isn't expecting any miracles in Brooklyn Park.

"It took us 20 years for us to gain our reputation," he says, "and it might take us 20 years to change it." Sable is the acting director of community development for the city and he knows what people think of it: Keep an eye on your wallet.

"We've long had this reputation as having a lot of crime, but we're at our lowest rate in 22 years. We don't think that story is getting out," he says. "We're also thought of as being apartment-heavy. We want to reposition ourselves as a place to be for residents and business."

Enter Carmichael Lynch Spong. In November the Minneapolis marketing agency beat out 14 other shops for a modest \$150,000 contract, which was approved by the city's Economic Development Authority by a 4 to 2 vote. Sable says it was the agency's plan for a granular approach that won the day.

"We can send out all the press releases we want, but we're not going to make a difference until the people who know us become our champions," Sable says. "Carmichael laid out an approach for this, starting with data gathering, which is the stage we're in now, and then moving into strategy and execution. It'll be a year-long campaign."

The agency admits that branding a city isn't like branding a product.

"It requires a multifaceted approach," says Julie Batliner, managing director of client services. **"You can't develop a brand just for the real estate audience, or the business audience, or the resident audience. You have to develop a brand for all of them."**

Brooklyn Park isn't the first Minnesota city to look for image help. Last year Woodbury spent \$63,000 with PR firm PadillaCRT. Sable indicates the relationship could be ongoing if the city is satisfied with the results.

"This isn't a skill set that governments have on staff," he says. —Adam Wahlberg



{ COMPETITIVE EDGE }

PIZZA NEA

Delivered pizza as competitive edge? In the Neapolitan game, it's a big one.

Pizza Nea owner Mike Sherwood is used to his shop being compared to local powerhouse Punch Pizza. "Their original place in Highland Park [in St. Paul] is the landmark for this movement," he says, happily admitting that's where he first fell in love with thin Neapolitan-style pizza in the 1990s. In the early 2000s, he started cooking his own at his St. Paul Bagelry. He garnered such good reviews that he opened Pizza Nea and sold the bagel shop. "I didn't open this with any competition in mind," he says. "I just wanted to do it the way I wanted to do it."

In 2002, when Nea opened across from Surdyk's near downtown Minneapolis, there were no other specialty pizza shops within a mile. Today there are four, including a Punch Pizza down the block.



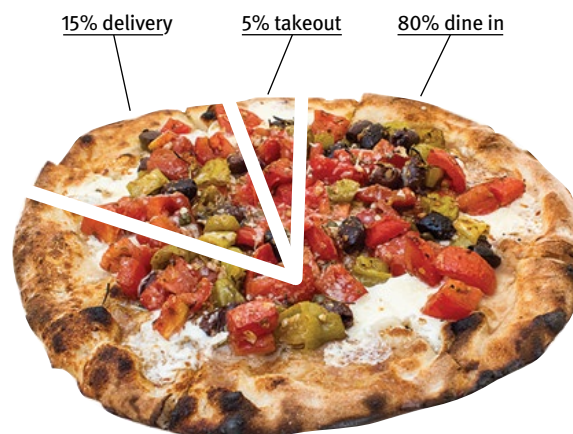
A couple of years ago Sherwood signed with two delivery services, "based on getting an edge on the competition," he explains. While delivery might not seem like a new concept for a pizzeria, in today's growing landscape of wood- and coal-fired specialty pizza restaurants—where cook times are clocked in seconds, not minutes—delivering is akin to reinventing the pizza wheel.

Within months of offering the service, delivery orders accounted for 10 percent of Nea's sales. This past winter, when subzero temps kept many customers at home, Sherwood says deliveries increased "substantially," helping delivery sales grow to 15 percent of total sales in the past year.

While Punch has scaled its business by creating fast-casual, quick-serve restaurants (which don't offer delivery), Nea remains a table-service restaurant with one location. "I think we have a much deeper wine selection," says Sherwood. "It's more of a date night."

Increasingly, Sherwood uses Twitter and Facebook to engage customers. When he asked what his social media followers wanted on a date night, from menu choices to price point, they spoke up. Based on their suggestions, every Wednesday night Nea now offers two pizzas, two glasses of wine or beer, and a dessert to share, all for \$30. "It's fun to get them involved," says Sherwood, "because then they take ownership and they're more apt to come in." —Megan Wiley

SALES PIE CHART



NEA BY THE NUMBERS

- 2002 opened ➤ 46 seats (+10 on patio in summer)
- 300 pizzas sold per day ➤ \$7.50–\$15.50 pizza price range
- 10 inches in diameter of pizza ➤ 750 degrees F oven to cook pizza
- 90 seconds cook time ➤ 10 employees

UPDATE LEN DRUSKIN DOWNSIZES

The fashion retailer is slimming its retail presence and simplifying its branding, especially in Minneapolis.

"One brand, one identity and one vision" is the new business model for Twin Cities-based apparel retailer Len Druskin.

It's a dramatic reversal from the business the Druskin family was operating last July when TCB profiled it. **Seven retail concepts—Len Druskin Man, LD Len Druskin, LD Blues, Len, Len Druskin Outlet, Len Clearance and Len Druskin—are now one premium brand.**

"They had stores that were tripping over each other," says Mary Van Note, a retail analyst at Ginger, a Minneapolis consulting firm. Consequently, she adds, consumers were confused about where to find certain merchandise.

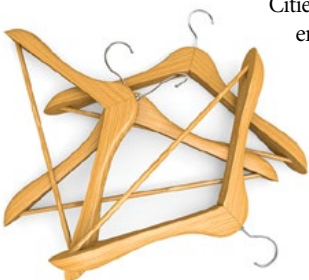
President Michael Druskin plans to reduce confusion by shifting all Twin Cities' stores to the new "Len" concept over a two-year period. "[Customers] know what to expect," he says, "and it's easier for one buying team to have a unified vision." In late winter, the first stores to get a makeover were at the Galleria and Mall of America.

This new strategy has led to a retreat from downtown Minneapolis. "It was just very difficult to operate so many small stores," Druskin says. Over the winter he closed LD Len Druskin, which carried women's professional clothing, LD Blues, a women's upscale casual store, and Len Druskin Man in RBC Plaza, formerly Gaviidae Common II.

A Len store remains open in City Center in downtown Minneapolis.

The company has expressed a desire to bring the new premium concept downtown by mid-2015, but hasn't disclosed whether City Center would be converted to it.

While Len Druskin Inc. has a good eye for premium clothing, Van Note cites the closure of Neiman Marcus in 2013 as evidence of continuing challenges facing downtown upscale retail. —Liz Fedor

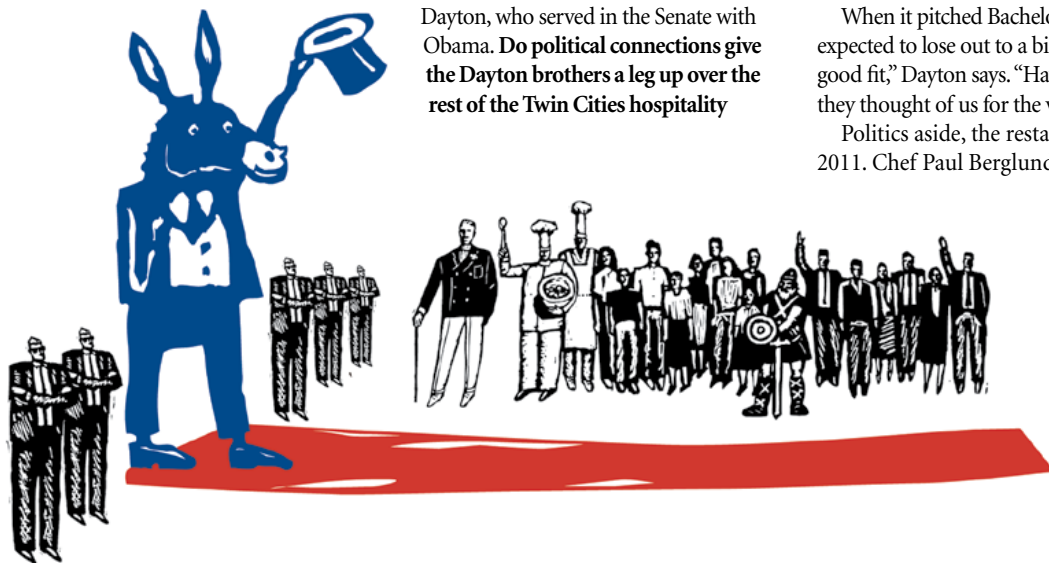


WEST WING, NORTH LOOP

Bachelor Farmer's political connections are not without their benefits.

➤ Knowing the right people is one business value that doesn't change with the times. Vice President Joe Biden hit Minneapolis' North Loop neighborhood in February, attending a fundraiser for the Democratic National Committee at the Bachelor Farmer. The Nordic-themed restaurant is popular with the White House: President Barack Obama also held a campaign event there in June 2012.

Bachelor Farmer is owned by Eric and Andrew Dayton, sons of Gov. Mark Dayton, who served in the Senate with Obama. **Do political connections give the Dayton brothers a leg up over the rest of the Twin Cities hospitality**



industry in landing top-shelf campaign events?

"I couldn't say what impact it had on their decision," says Eric Dayton, who noted that his father introduced the president at the 2012 event, but did not attend the Biden event because he was recovering from hip surgery.

"We were compensated as we would be with a private event," Dayton notes. "This isn't a political statement by the restaurant. It wasn't the restaurant donating to the DNC or the Obama campaign."

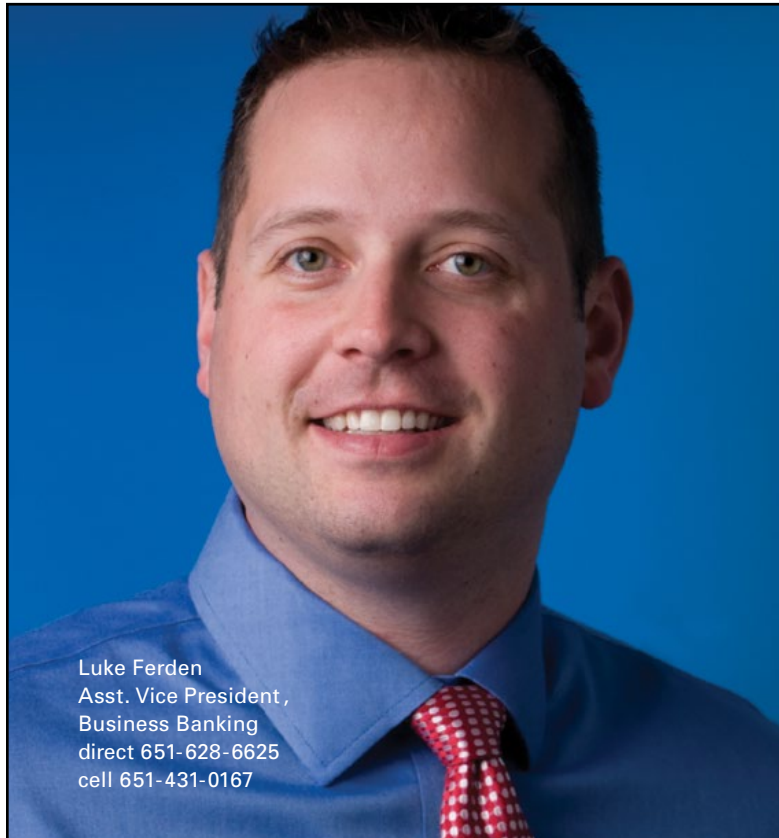
When it pitched Bachelor Farmer for the president's visit, the 94-seat restaurant expected to lose out to a big hotel ballroom. "It turned out they thought it was a good fit," Dayton says. "Having done one event that went well, that's perhaps why they thought of us for the vice president's visit."

Politics aside, the restaurant has earned plaudits since opening in August 2011. Chef Paul Berglund was nominated for a James Beard Award, to be judged later in spring.

Keith Downey, chair of Minnesota's Republican Party, isn't losing any sleep over the events at Bachelor Farmer.

"I think people are going to choose to hold events at places they're comfortable," says Downey. "I certainly wouldn't make any issue out of holding a fundraiser."

Hosting White House-level visits does make for some unique anecdotes. After the president departed Bachelor Farmer, Dayton recalls two guys "in pretty serious military uniforms" coming down from the roof: "They just kind of nodded and walked out." —*Burl Gilyard*



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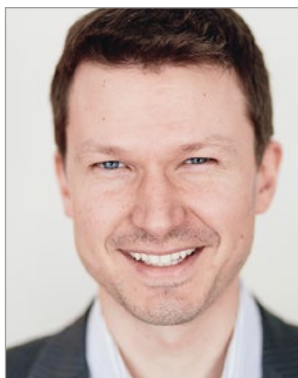
conciierge

star treatment for **VIP** clients and guests

by Melinda Nelson

Insider Tips from the Rolodex

Five young executives share go-to spots for entertaining and business attire.



Ben Shardlow

Director of public realm initiatives, Minneapolis Improvement District

Business Breakfast

› Moose & Sadie's is just so pleasant. It has great morning light, the coffee is strong, and the huevos rancheros are always solid. *North Loop, Mpls., 612-371-0464, mooseandsadies.com*

Business Lunch

› For relatively informal lunch meetings, I like Masu. The food is satisfying, flavorful, and interesting. I love the pork tonkatsu ramen, even though it's not the easiest thing to eat while holding a conversation. *Lower Northeast Mpls., 612-332-6278, masusushiandrobata.com*

Happy Hour

› If it's a beer crowd, Devil's Advocate has 40 taps and a great historic atmosphere. *Downtown Mpls., 612-843-2260, devilsadvocatebar.com*

Business Attire

› Heimie's is a store full of beautiful things. Shopping there is a treat, not a task. *Downtown St. Paul, 651-224-2354, heimies.com*



Abe Appert

First vice president, CBRE

Business Breakfast

› Good Day Café has great food and a fun staff. It's busy, loud and full of familiar faces from the [commercial real estate] industry, which always gets the blood pumping in the a.m. *Golden Valley, 763-544-0205, gooddaycafemn.com*

Business Dinner

› The Twin Cities finally has lots of great food options that correct the perception of local eateries as being only meat-and-potato joints. For entertaining foodie clients, 112 Eatery is the best. *Warehouse District, Mpls., 612-343-7696, 112eatery.com*

Business Attire

› Hubert White. Brad [Sherman] and team have my personal look down to a T and don't take themselves—or their customers—too seriously. *Downtown Mpls., 612-339-9200, hubertwhite.com*



Aimee Dayhoff

Attorney, Winthrop and Weinstine

Business Breakfast

› Zumbro Café has really great healthy breakfast options and it's close to downtown Minneapolis. *Linden Hills, Mpls., 612-920-3606, zumbrocafe.com*

Business Lunch

› Mission has fast service and the staff is incredible. They make you feel like you're somebody, even if you're not. Hands down, the buffalo chicken salad is the best. *Downtown Mpls., 612-339-1000, missionamerican.com*

Happy Hour

› BANK at the Westin has a fun vibe, great happy hour specials and valet parking, which is great for clients coming into downtown. *Mpls., 612-656-3255, bankmpls.com*

Business Attire

› One of my all-time faves is Meridian. It has beautiful clothes and accessories you don't find anywhere else. *Excelsior, 952-474-4519, meridianboutique.com*



Eric Dayton

Co-owner, the Bachelor Farmer

Business Lunch

› Monte Carlo is a North Loop institution. Nothing has changed about the place in forever, nor would you want it to. I get the meatloaf sandwich with cheddar and fried onions with a side of applesauce for dipping. Trust me, it works. *North Loop, Mpls., 612-333-5900, montecarloinn.com*

Business Dinner

› I usually eat at the Bachelor Farmer, but when I want to change things up, I'll head over to Burch for a thick steak. *Lowry Hill, Mpls., 612-843-1515, burchrestaurant.com*

Business Attire

› Anything that requires alterations goes straight to John Meegan at Top Shelf, who I think is the best tailor in Minneapolis. *Lyn-Lake, 612-824-2800, topshelfinc.com*



Jim Delaney

Founder, Engine

Business Breakfast

› Ike's is central to everything and has very good classic breakfast options. *Downtown Mpls., 612-746-4537, ilikeikes.com*

Business Lunch

› The bar at Vincent is great for a quick meal—the Vincent burger is amazing—while the quiet dining room is ideal for closing the deal. *Downtown Mpls., 612-630-1189, vincentrestaurant.com*

Happy Hour

› On a hot summer day, Barrio has the best margaritas in town. *Edina, St. Paul, downtown Mpls., barriotequila.com*

Business Attire

› I like the classic clothing at Brooks Brothers. My dad gave me a sport coat he bought there probably 50 years ago and it's

stood the test of time. *Downtown Mpls., 612-338-1718, brooksbrothers.com*



plugged In

the best opportunities for **networking** in May.

by Christie Washam

{ NETWORKING, INDUSTRY AND EDUCATION }



13 **TUESDAY** Center of the American Experiment Annual Dinner

Featuring the Pulitzer prize-winning columnist George Will, leaders in wealth management, law and business will be attending this yearly event, with a cocktail reception before the dinner program for meeting and greeting.
5:30 p.m., \$200, Minneapolis Hilton, 612-338-3605, americanexperiment.org/events/

13-14 **TUESDAY & WEDNESDAY** See Change

These days the most effective way of communicating isn't through endless Excel spreadsheets, it's through creative visualization. The old "show, don't tell" mantra has never been more important. Join top designers such as 3M's Kevin Gilboe, photographers and business leaders for this two-day conference on changing the way we present, view and understand information.

5:30 p.m. May 13, 8 a.m. May 14, \$129-\$169, University of Minnesota-Twin Cities Campus, seechangeconference.org/



14 **WEDNESDAY** Food and Agriculture National Conference

Faegre Baker Daniels sponsors this conference that gathers industry titans such as Hormel, ConAgra and Cargill, and business owners and government regulators to discuss the current food and ag landscape. Topics include social media and brand protection, global conditions, GMOs, and more.

7:45 a.m., \$395, Minneapolis Hilton, 612-766-7145, faegrebd.com/food-ag-conference



21 **WEDNESDAY** MedTech Investing Conference

Meet and network with more than 350 of the biggest names in the med-tech scene. Hear about the latest innovations and discuss the year's financing issues at the daytime conference. Speakers include event co-chair Dr. Dennis Wahr, president and CEO of Holaira.
7 a.m., \$795-\$1,395, Graves 601 Hotel, 516-765-9005, medtechconference.com

{ GALAS AND AWARDS }



3 **SATURDAY** PACER Center's Annual Benefit

Diana Ross headlines this year's Pacer gala. Network with luminaries in law, business, communications and more at this always well-attended event. Proceeds benefit Pacer's programs for children with disabilities, as well as the organization's bullying-prevention initiatives. Tickets \$150 and above give you access to the patron party after the concert.
6 p.m., \$70-\$600, Minneapolis Convention Center, 952-838-9000, pacer.org/benefit/

8 **THURSDAY** Twin Cities International Citizens Awards

A night of celebration, the Twin Cities International Citizens Awards gala also highlights opportunities for Minnesotan business leaders to forge partnerships with the global community. Learn what you and your company can do to help build a more connected world.
5 p.m., \$100, the Minneapolis Club, 651-690-7866, internationalleadership.org/calendar.html

16 **FRIDAY** MN Teen Challenge Gala

For more than 25 years, MNTC has helped teenagers and adults overcome addiction. Join MNTC's board of local leaders for an inspirational evening featuring a formal dinner, a presentation program with MC Leah McLean of KSTP-TV, and a silent auction where guests can bid directly from their smartphone. Sponsors include Baker Tilly.

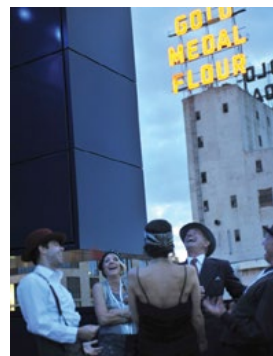
5:30 p.m., \$80, Minneapolis Hilton, 612-238-6184, mntc.org/gala



17 **SATURDAY** Royal Ascot Costume Ball

Gentleman, put on your morning suits, and ladies, don't forget those fabulous hats, before you step out to the races at the Guthrie Theater's fundraiser. Top-level tickets include an exclusive cocktail reception with the actors and staff of *Crimes of the Heart*. Lay a wager, graze on a variety of dining options throughout the theater and practice your foxtrot for the grandstand dance party.

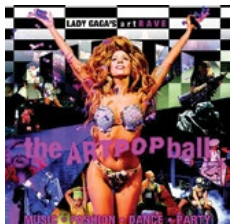
5:30 p.m., \$25-\$1,250, Guthrie Theater, 612-225-6160, guthrietheater.org/



May

life style

by Tad Simons



TOP TICKETS >

Lady Gaga ArtRave: The Artpop Ball

Lady Gaga has weirded her way to the point where she is now a cross between a pretentious pop diva and a woman whose whole life is one continuous selfie. She puts on a fantastic show, though, and Twin Cities fans are among her favorites. The Artpop Ball supports her latest album, *Artpop*, and reportedly uses two stages connected by a catwalk that weaves through the audience. *May 20, Xcel Energy Center, St. Paul, 651-265-4800, xcelenergycenter.com*

Bill Maher

Comedian, prominent atheist and political pugilist Bill Maher has been calling it the way he sees it, damn the consequences, for more than 30 years. Maher's stand-up gigs are where he unleashes the stuff he can't get away with saying on HBO. That means it's also the stuff you want to hear—the raw, unvarnished, side-splitting truth about our beloved republic. *May 30, State Theatre, Mpls., 612-339-7007, hennepintheatretrust.org*



ROBERT WORKMAN



ALEXANDER GRAMM, MANTIS MAN

ARTS PICKS >

Our Country's Good

The Guthrie Theater's WorldStage series has brought some of the world's finest actors and companies to the shores of the Mississippi. This month, England's Out of Joint and Octagon Theatre Bolton join forces to present Timberlake Wertenbaker's acclaimed play about a ragtag group of soldiers and convicts trying to mount the first play ever performed in Australia. The show celebrates the 25th anniversary of its premiere at London's Royal Court Theatre. *May 21-June 29, Guthrie Theater, Mpls., 612-377-2224, guthrietheater.org*

"Man Up"

What does it mean to be a 21st-century man? Altered Esthetics gallery invited artists of all genders to weigh in on this elusive question. There's potential here. According to Facebook, there are now 51 identifiable genders, so it'd be interesting to see what a transmasculine androgyne thinks about, say, ice fishing. AE shows have a way of answering those kinds of questions. *May 1-29, Artspace Jackson Flats, NE Mpls., 612-378-8888, alteredesthetics.org*



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Beyond the Voice

Better understanding the factors that govern how you sound.

Your vocal behavior is your gateway to the world. Think about it. What comes to mind when you hear a nasal person on the other end of the phone line or a presenter who can't project? The subtext of those vocal behaviors is anything but powerful.

Last August, I wrote about vocal behavior basics. This spring, I want you to grow that foundational knowledge and go beyond the voice. Your vocal behavior is a combination of three factors: How you sound, how you deliver your sound and how people perceive you through what they hear.

Strong vocal behavior starts with attention to vocal health—hydration and a non-clogging diet. Avoid alcohol before high-stakes presentation moments. It affects your larynx (voice box) and could have drastic effects on your vocal power. Vocal exercises help keep your larynx strong. Just as your body needs exercise and rest, so does your larynx.

How you sound is a combination of the note from which you normally speak (your

ies. They start with a great note and then deliver that note by projecting through the hard palate.

If you take your tongue and slowly sweep it upward from the hard palate to where the tissue becomes squishy, you have met the soft palate. It's part of your nasal zone. Sylvester Stallone and Fran Drescher have soft-palate deliveries. From a vocal behavior standpoint, their deliveries may be likable (to some) but are not exactly optimal.

Basics firmly understood, focus on intentionality. Recently, I coached a group of salespeople who came in from all parts of the United States to meet at their corporate headquarters. There was a mix of accents, projection abilities and vocal pacing skills.

The group learned that the Southern accent can be charming and approachable, but if it goes overboard, those particular salespeople could actually hurt their profit margins. Some of the Minnesota salespeople learned the Midwestern twang can sound unsophisticated.

Something several of the women in the group learned from our vocal work is the importance of projection for owning their space. Whether they were petite or taller, owning space is important for all businesswomen. (It is important for men, too.) When you speak with a strong note and project through the hard palate, the words you deliver sound best, and the subtextual messages are strong. There is subtext to everything we do, say and wear, as well as how our body language delivers. You want the subtextual messages your vocal behavior delivers to match your intent.

Say, for example, that you are promoting a strong product or how ethical your company is in delivering that product. If the subtext of your vocal behavior actually delivers sounds that communicate "shifty" or "ditzy" or non-credible, you do nothing



Take care of your voice:

› Hydration › Non-clogging diet › Avoid alcohol › Vocal exercises

“Your vocal behavior is a combination of three factors:

- 1) How you sound.**
- 2) How you deliver that sound.**
- 3) How people perceive you through what they hear.**

pitch) and the location through which you project (hard palate or soft palate). Most people can produce 16 spoken notes from their larynxes.

The hard palate is the bony top section of your mouth. James Earl Jones and Lauren Bacall both have hard-palate deliver-

for your brand or for your bottom line.

Once you find your strongest note and project it through the hard palate, you are on the road to more firmly owning your space. Vocal projection comes into play here, too. Make sure you adjust your volume to the audience and the space in which you are communicating. If you are naturally loud, make sure you get a sense of when you need to bring your volume down. If you are naturally soft-spoken, projection exercises will serve you well.

Even when we focus on vocal behavior, thoughts of your audience should not be neglected. This is especially important when it comes to choreographing your communication moment with the use of vocal variety. No one likes to be lectured to. When you incorporate various pacing devices when speaking to one or many, you will have powerful results. For example, mixing up your rate of speech as well as using loudness and softness are pacing

devices. Bringing up a member of the audience, when appropriate, to give the crowd a different voice to hear, is an example of what I call an “interactive,” and works well for pacing. It breaks the monotony of your vocal behavior and gives you a rest, but also energizes the audience to hear more from you after you've shared the stage with someone else.

The only way to have stronger vocal behavior is to intentionally use your full presence over and over and over. Get a sense of your own vocal variety. Do your vocal exercises and pay attention to your vocal health.

Mastering vocal behavior will truly set you and your brand apart. **TCB**

Roshini Rajkumar is a communication coach, host of News & Views on WCCO Radio, and author of Communicate That! For additional communication tips, visit CommunicateThatBook.com.

Economic Spring

Minnesota’s businesses are ramping up production and briskly investing in their infrastructure and talent.



Like farmers tending healthy seedlings while praying for good weather, Minnesota’s business leaders are plowing more back into their businesses, anticipating further economic recovery. And as they do, they’re moving the economy forward.

Results from *Twin Cities Business*’ late-March quarterly polling of more than 11,000 business leaders from across the state found they plan to increase capital expenditures, research and development, and hiring at some of the healthiest rates seen in three years.

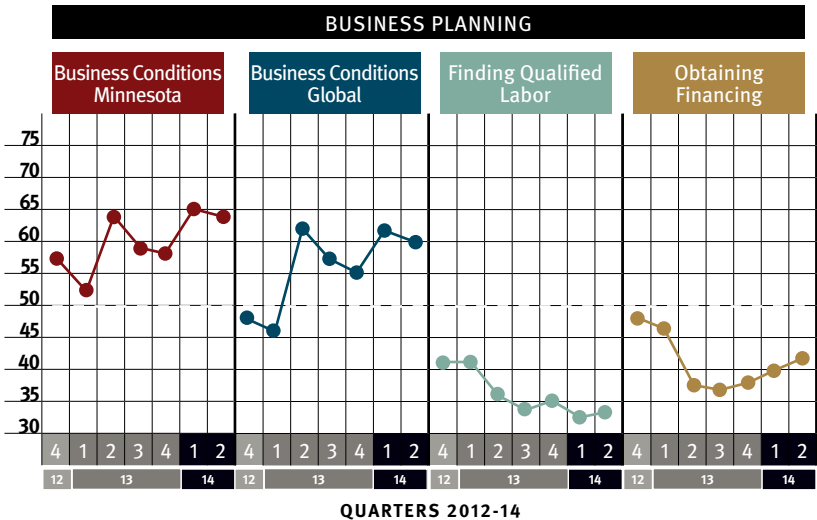
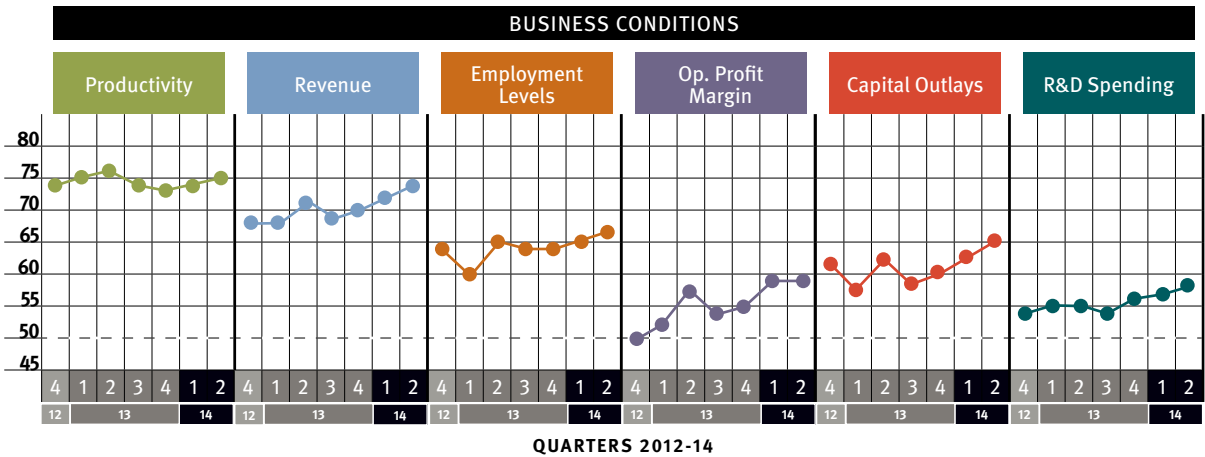
Survey results also advanced the Minnesota Economic Outlook Index to 51.8 – the highest rating in two years and the fourth consecutive quarter of improvement. An index above 50 indicates economic expansion; below signals contraction.

This is the eighth consecutive quarter in which business leaders expect to increase capital expenditures at a healthier clip than before. Some 36 percent of the 457 business leaders who responded to the survey say they plan to spend more in this area between April 1 and June 30, while only 6.5 percent expect to cut spending in this area – the lowest level of “reducing” in the three years since the survey began.

Research and development spending also is improving, with the fewest companies in three years saying they’re going to cut back. And hiring is expected to continue at a healthy pace, despite Minnesota’s low unemployment rate relative to the rest of the country, and continuing challenges finding qualified labor.

Some 38 percent of respondents expect to increase hiring during the second quarter – the highest level since two years ago at this time. Meanwhile, only 6.4 percent of respondents say they’ll be laying people off by June 30 – well below the trailing 12-quarter average of 8.4 percent.

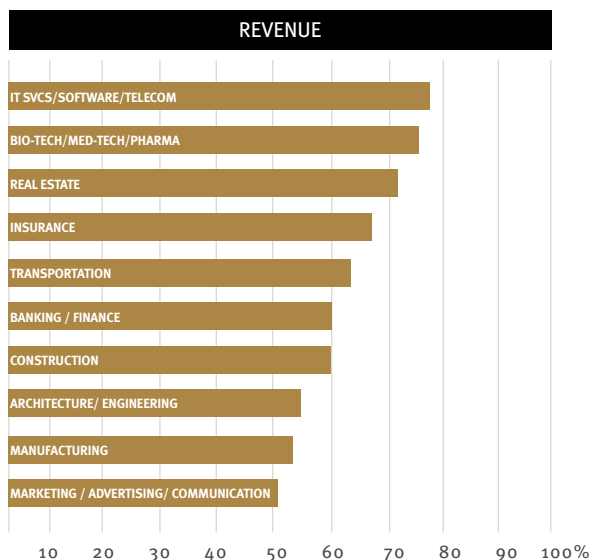
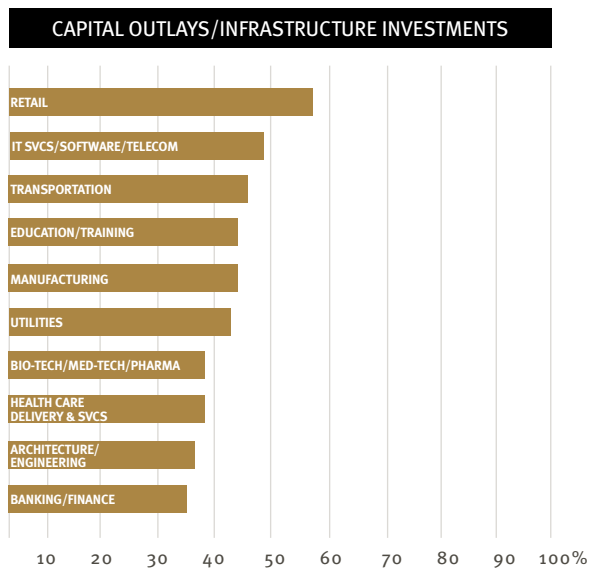
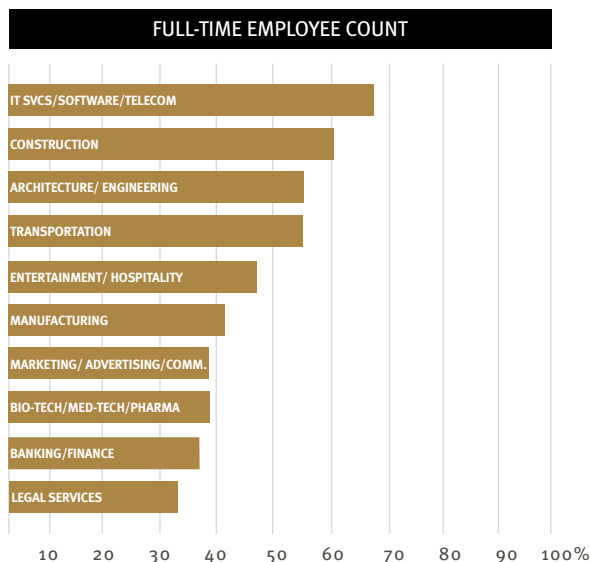
Fueling these areas is what can best be described as less difficulty obtaining financing. The percentage of survey respondents who expect financing to become more



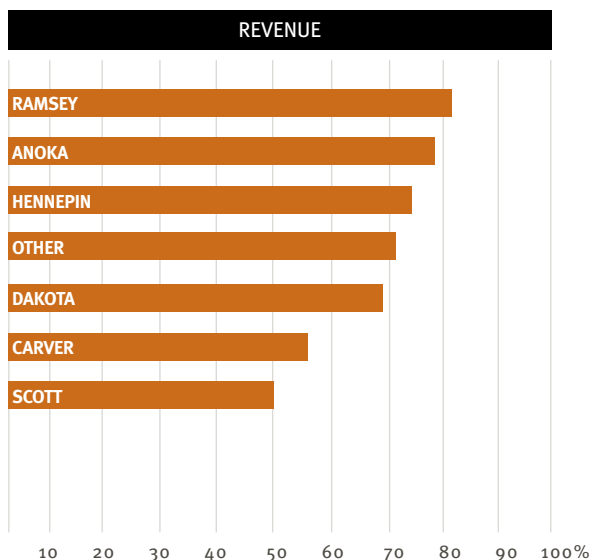
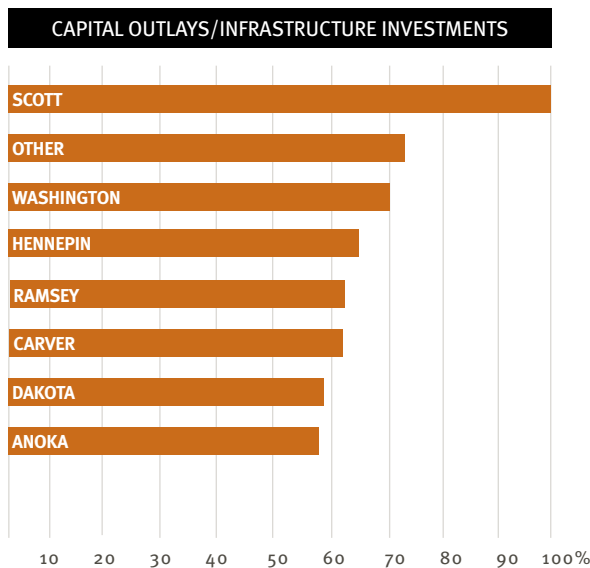
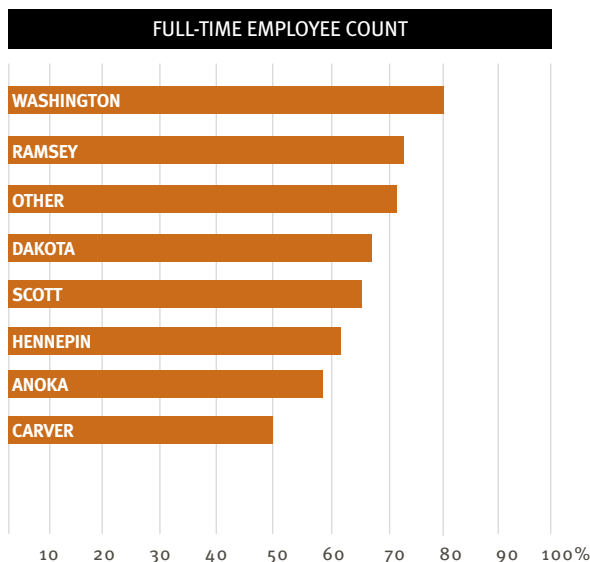
› **Interpreting the results**
Chart indicates percentage of respondents anticipating increases (Business Planning) or improvements (Business Conditions) during Q2 2014. Data points calculated using diffusion indexing. Responses of “increase” or “improve” fully represented, but responses of “maintain” or “stay the same” diluted by half. Above 50 is positive; below is negative.

MINNESOTA ECONOMIC OUTLOOK INDEX						
2013	2013				2014	
Q4	Q1	Q2	Q3	Q4	Q1	Q2
50	51	51	49	49	51	52

Percent of 457 Minnesota businesses — by industry — that anticipate increases in these areas during the second quarter of 2014.



Percent of businesses — by county — that anticipate increases in these areas during the second quarter of 2014.



The tables above provide a diffusion-index view: overall responses for “increase,” plus one-half of responses for “maintain” from 457 business leaders surveyed in late March 2014.

difficult in the second quarter dropped by one-third compared with a year ago at this time. Those who think conditions for obtaining financing will remain the same increased by 12 percent, representing 62 percent of all responses in this category. And those who think financing will be easier to obtain rose by 8 percent versus a year ago.

Meanwhile, Minnesota business’s overall revenue outlook is the strongest it’s been in nearly two years. More than half of survey participants expect their revenues to increase this quarter, while only 6 percent expect them to decrease. That’s down 33 percent from one year ago and is the lowest percentage of business leaders planning for revenues to decrease during the three years in which this survey has been conducted.

The only sour note, beyond concerns over planned or potential new regulations, taxes and other government-led administrative and financial burdens, is the continuing challenge finding and retaining qualified labor. Roughly 37 percent of business leaders say they expect it to become even harder in the months ahead, while 61 percent expect it to remain the same as before.

There also is slightly more trepidation about economic conditions, with participants expressing less optimism that business conditions will improve in Minnesota and internationally. Optimism still outweighs pessimism, but it slipped a bit in the last 90 days.

Cautiousness about the economy also seems to be more prevalent among employees, according to Dale Carnegie Training’s quarterly Minnesota Pulse Survey for the three months ending March 31. “It seems people are feeling less confident and ready for changes but are more committed to working through discomfort,” says Matt Norman, president of the organization’s North Central U.S. office.

The survey found a 10 percent decrease in the number of people who feel high levels of readiness for change, and an in-

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crease in the number of people who would not leave their company for another job, regardless of how much their pay might rise as a result.

Meanwhile, other recent surveys found results similar to *Twin Cities Business*, driving their indexes up as well. Creighton University's Minnesota Business Conditions Index rose to 66.1 in March from 64.1 in February; and the Minnesota Economic Development Association's MEDA Index rose from 53.1 in February to 63.7 in March.

This legislative session: What business thinks

Twin Cities Business' most recent survey also polled business leaders on what they would like the Minnesota Legislature to focus on the most this year. Their answer:

reducing government spending, improving high school education, and establishing better oversight of Legacy Amendment spending.

Some 93 percent of respondents say they would like to see a reduction in government spending through efficiency improvements; 86 percent favor improving high school education while better managing costs; and 56 percent favor establishing the means to better review/manage Legacy Amendment spending.

Business leaders were asked, "Which would you like the Legislature to address this session?" and given a list of subjects; their response options were "For," "Against" and "Neither." The subjects, in addition to the three mentioned above, were: legalizing marijuana for medical purposes; passing

anti-bullying legislation; immigration reform; improving MnDOT's snow plowing and road-treatment practices; and allowing liquor stores to open on Sundays. The survey did not include options on tax-related challenges such as gift, estate and income taxes, as these are already known to be of high interest for business leaders.

Other issues that participants were particularly interested in addressing were allowing liquor stores to remain open on Sundays (55 percent in favor) and immigration reform (54 percent).

The issue of least interest was the legalization of marijuana (28 percent against and 27 percent neither). **TCB**

METHODOLOGY

Twin Cities Business conducts this survey quarterly to provide a look at business planning and sentiment among leaders across all industries in Minnesota. Answers from 11 questions are used to formulate the Minnesota Economic Outlook Index, the only indicator of what business leaders across the state are planning for the immediate quarter.

An email link to an online survey was sent to 11,803 Minnesota business leaders in mid-March, and a reminder email was sent the following week to those who had not yet completed the survey. The Minnesota Chamber of Commerce provided some of the e-mail addresses used in this outreach. As of March 27, 457 businesses responded, resulting in a 3.9 percent net response rate. Of those who responded, 88 percent represented privately held businesses.

spotlight

Managing Growth

edited by Adam Wahlberg



The Right Fit

Duluth-based clothing retailer Maurices grew during the recession, and it has big plans going forward. How did it get so right-sized?

In the Minnesota retail sector, Target and Best Buy grab all the attention. But the state also is home to a \$1 billion retailer with nearly 900 stores nationally and about 25 in Canada. So why haven't you heard of Maurices?

Maybe it's the fact that Maurices puts its stores mostly in small malls in small markets. Another potential reason: It's based in downtown Duluth, where E. Maurice Labovitz opened his women's clothing store in 1931. It now employs about 400 in downtown Duluth and about 8,000 in 44 states and Canada.

And the company recently reaffirmed its connection to its hometown by announcing its move from its cramped warren of offices to a new 11-story structure on West Superior Street. Ground is expected to be broken this spring, with the building's completion in December 2015.

The company's biggest building plans are in the malls. Maurices plans to add about 60 new stores this year; it has averaged about 50 annually for the past five

years. Maurices president George Goldfarb thinks there's "a lot of runway ahead. We may be at about 900 stores, but I still believe there are 1,200 stores domestically that we can be in, and that the concept will work in over 130 stores in Canada."

Consultant Howard Davidowitz worked for Maurices during the transition from family ownership to American Retail Group and continues to follow the company as chairman of Davidowitz & Associates Inc., a national retail consulting and investment-banking firm headquartered in New York. "They're doing very well, and they're in a business that is in a huge downturn," Davidowitz says.

He points to Maurices' focus on smaller markets

and smaller malls, a business model that he credits to Joel Labovitz, the last member of the founding family to manage the company.

Maurices, Davidowitz adds, "has the right merchandise, at the right place, at the right time, at the right price. And they are in less competitive settings—not giant malls with seven anchor stores and everyone under the sun in there."

In 2005, Maurices merged with Dress Barn to create the Ascena Retail Group, a New York-based company whose holdings now include the Lane Bryant, Catherine's, and Justice chains. Until then, Maurices was owned by American Retail Group, which shed its holdings that year.

AT A GLANCE

SALES

➤ \$917 million

PROFIT

➤ \$123 million

STORES

➤ 930 by end of FY 2014

EMPLOYEES

➤ 8,000

STORES IN MN

➤ 45

STORES IN TWIN CITIES REGION

➤ 33

SALES IN MN

➤ \$59.5 million



Maurices has had such consistent growth that it needed a bigger building, which it's scheduled to move into in December 2015.

Goldfarb says that Ascena lets Maurices run autonomously; Ascena provides back-office support and shares best practices. About 100 Ascena back-office employees work in Duluth.

But there are absolutely no plans to move headquarters elsewhere.

"We have been so fortunate to be able to get great people in Duluth," Goldfarb says. "With some of the positions being more specialized, we've been able to get a lot of great talent from Minneapolis, too," he adds.

That includes customer analytics and e-commerce specialists with Target and Best Buy on their resumes.

Goldfarb says it's really not all that difficult to lure talent to Duluth, once people get a chance to know the city.

"We encourage work/life balance to employees, and I don't see a lot of companies doing that," he says. "We reward performance, and we have a caring culture. People like to come to a business that is growing." —Gene Rebeck

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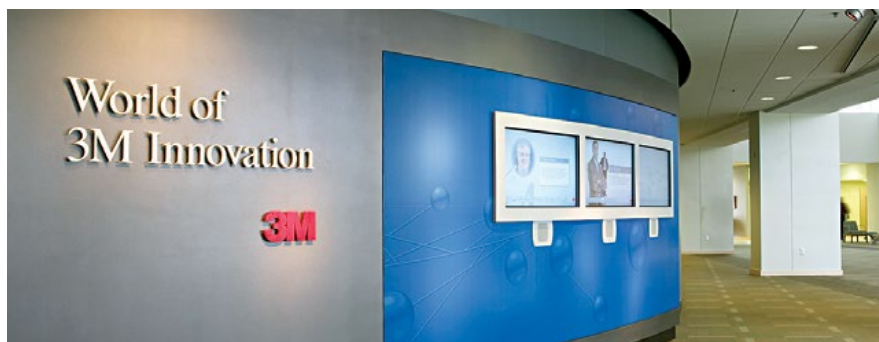
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spotlight Managing Growth



Fear of Success

Scott Davis wants everyone to try his mobile game QONQR. Just not all at once.

Scott Davis is terrified that his game QONQR will get too popular. His word: Terrified.

This is what he says: "Quite frankly, I'm terrified that we might hit Mashable or TechCrunch, or we might have some radio host talk about QONQR, and the next thing you know we have 25,000 users the next day. Our system can't handle it," he says. "Is it weird that I'm actually afraid of growth?"

A bit. But after listening to him talk about the demands of his job, not really. After many years saving cash as a tech consultant, Davis launched his company and game in March 2012. It's available as a downloadable free app and is touted as a "geosocial game of world domination." It's going gangbusters in number of users and is dominating his time.

"When you're managing growth—not chasing growth but dealing with growth—you're just trying to keep the system going, just getting to the point where you can sleep," he says.

Ah, life in the mobile gaming space, where customers can multiply exponen-

tially—he's up to more than 10,000 users who play the game per month—and be a source of constant noise ("We've had more than 30,000 posts in our player forums," he notes).

To manage his time, Davis and his staff—he has two full-time employees who mostly code, and six to 10 part-timers who pitch in—put tasks into one of four buckets that they refer to as ARMS: acquisition, retention, monetization and self-preservation.

The self-preservation is a biggie. "We spend about 80 percent of our time on self-preservation," Davis says. "Our users send us emails all the time suggesting things that would be cool or awesome, and they are, but if the idea doesn't scream one of those four categories, it doesn't get done."

Davis, who has spent his career in tech consulting, enjoys managing the creative aspects of the game's user experience, but also tends to the business side. And being that the game is available as a free app, which can be challenging.

"In mobile gaming there are three ways you can make money. One is persistent up-





Scott Davis, fifth from left, is all business when it comes to his mobile game QONQR, a “geosocial game of world domination,” which has been a hit since it came on the market as a free app in March 2012. Now the hard part: managing rapid growth without working around the clock.



grades. The price point is usually 99 cents. The second way is through consumables. In our game, our consumables are things like missiles. The final way to make money is through cosmetic stuff, such as hats. It’s an ego thing. Gamers like that prestige. They like to have something you don’t have. We make a lot of money on consumables. We have a lot of players who will spend \$100 or \$200 a day on consumables,” he says.

The venture was 100 percent bootstrapped by Davis and his partners, and while Davis made some attempts to raise financing, he didn’t feel the love from Silicon Valley. It’s not like he loved Silicon Valley back, either.

“I made some efforts, but I didn’t walk down Sand Hill Road, I didn’t make the 200 phone calls you’re supposed to make. I didn’t because we built QONQR with revenue as a primary objective, instead of how the Valley does it, which is to focus on gaining millions of users before spending time on revenue. This means we have a company that should be able to sustain ourselves without the need for an investor or acquisition,” he says.

And the feedback from the game world has been positive. The game spent six months ranked second or third in the Best Rated Games category on Windows Phone last year, and Microsoft flew Davis to its headquarters to be interviewed on its Web TV channel. So far, 75 million battles have been engaged in the game, which had required the handling of a lot of data and bandwidth. Davis spends a lot of his time rewriting the architecture of the software to handle all of it, and also to add new features to the game.

There have been hiccups. The system has crashed before, including for three days last August; that was a bona fide crisis. Davis’ solution was to pull non-critical features out of the game and he ended up rewriting one of the game’s critical features in just 12 hours. Fun times: “Oh boy, that was intense,” he says with a sigh.

Davis declines to give revenue numbers, but does say he and two others are pulling moderate salaries, and he has plans to bring on two more employees soon. He’s optimistic he can keep up with growth. But he’s still in self-preservation mode.

“There’s always something. You just have to worry about getting through the day.”

—Adam Wahlberg

- Revenue for December 2013 was three times the revenue for 2012 (March, when the game launched, through December).
- Average revenue per paying user is approximately \$100; 4.5 percent of users are converted to paying users.
- Twenty-five percent of the players who try QONQR for at least three days play for longer than six months.
- The company has three full-time employees (including the founder), with six to 10 part-time contractors. It plans to add two more staffers soon.
- The app is on Windows Phone and iPhone; Android is in beta stage.

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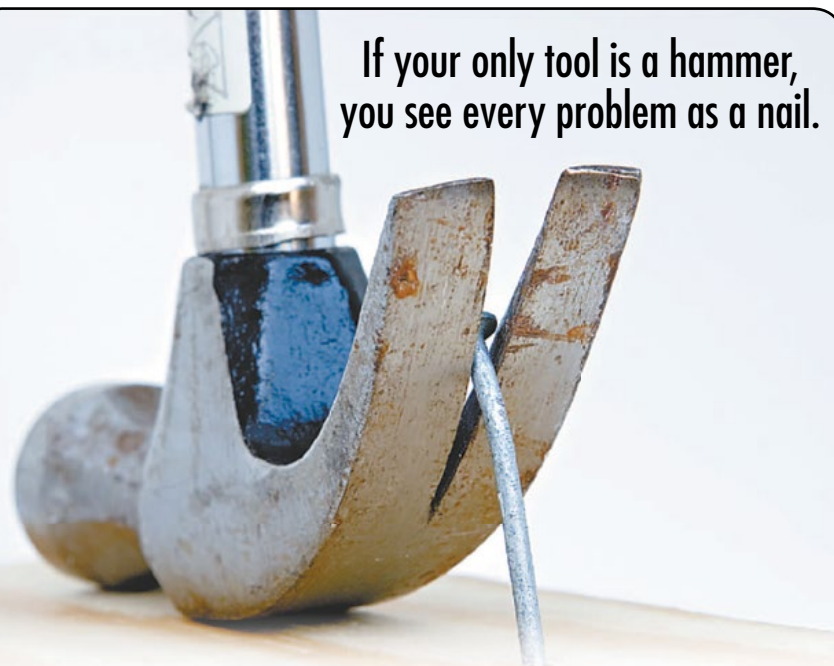
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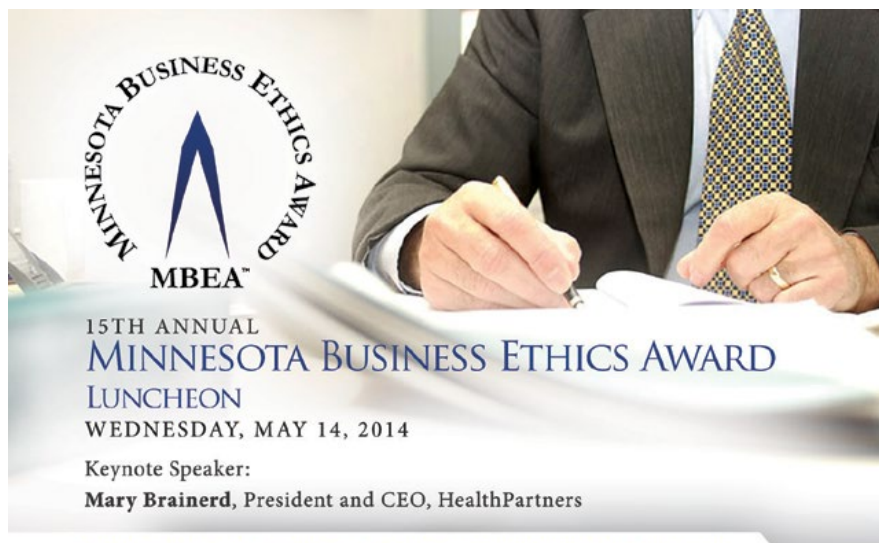
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DC Group Powers Up

The company fuels the energy behind power supply systems and is on a steady growth trajectory.

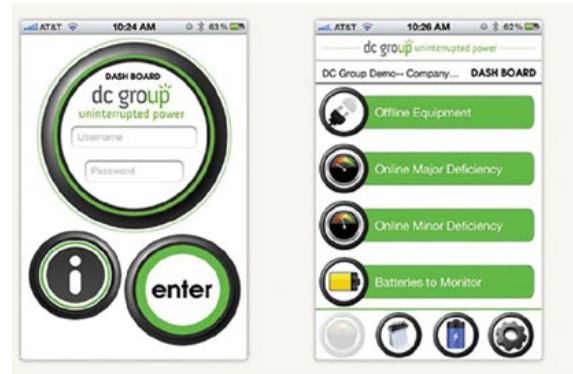
Jon Frank considers himself a maverick. His company, DC Group, has been growing almost nonstop since he conducted a major overhaul of the way it does business. It wasn't an obvious step at the time, but it was the right one.

DC Group services uninterruptible power supply (UPS) systems for critical industries like hospitals and major data centers. If everything runs right, you'll never even know they're there. But whenever there's a flux in the main power, the UPS kicks in. That can happen 50 to 100 times every day. It's a safeguard to ensure medical devices are powered to save lives and that Facebook stays online to save your social life.

Founded in 1991 by Frank and his father, the Minneapolis-based DC Group started out working for the manufacturers of these power supply systems. About a decade ago, Frank decided things could

be better.

"In the industrial area, it's really black and white; you get what you pay for. There was no salesmanship to raise the bar on customer service," he says. So he switched gears and instead of working for the



manufacturer, he started working for the customer. By sitting down with clients and finding out exactly what they needed—and wanted—to make their jobs easier, Frank discovered the gap in the market.

He retooled DC Group and steered it to grow into that gap. He added a sales department and he standardized operations internally by going totally digital. He then created D-tech, a mobile app that allows site managers to access an online database of service reports (replacing the file cabinets filled with paper reports), to see real-time diagnostics and to keep track of inventory.

The "bells and whistles" were key to attracting and keeping clients—who until then had also only worked with manufacturers and, despite a desire to modernize, were wary of an independent servicer. He countered their apprehension: "Well, if we weren't any good, the manufacturer wouldn't use us."

Eventually, he won them over. DC's clientele includes Fortune 500 companies, hospitals and government entities. The company has been on *Inc.*'s Fast 500/5,000 list six times and has plans to grow more. In 2008, during the transition, DC took in \$7.3 million in revenue and had 59 employees. In 2013, it had grown 325 percent, with \$31 million in revenue and an employee pool of 175 nationwide.

Frank will tell you that the secret to managing growth is to go with your gut. Though he didn't chart a long-term strategy, he spent a considerable amount of

REVENUE

2008: **\$7.3 million**
2009: **\$8.4 million**
2010: **\$14 million**
2011: **\$18 million**
2012: **\$25 million**
2013: **\$31 million**

NUMBER OF EMPLOYEES

2008: **59**
2009: **68**
2010: **85**
2011: **125**
2012: **135**
2013: **175**



Jon Frank puts quality before growth, and in so doing, achieves growth.

JON FRANK'S TIPS FOR GROWTH

1

Do it right. Take the time to perfect what you do. Fix any internal ruptures early on, before even thinking about expanding. "I've seen many companies have this diabolical, we're-going-to-conquer-the-world strategy. They might do it for a couple of years, but they don't have the infrastructure," Frank says. Trying to go too big, too fast can lead to collapse.

2

Listen to the customer. Look at their needs and identify where service is lacking or could be improved. What do they want to make their jobs and lives easier?

3

Be unique. Offer them something they've never seen before, whether it's a product or a service. Show them that your company is indispensable.

time building and perfecting the company's infrastructure. Growth wasn't the endgame, he says; providing a top-notch service experience and cementing a good reputation in the industry was.

"I put quality before growth," he says. "It is important to me that things are done right. . . I'd rather have integrity, and if that means not getting the figure we had in mind, then that's what it means."

Once he felt DC was properly equipped, he took a few calculated risks. Instead of expanding with smaller, more local businesses, he went after enterprise companies

that operate nationwide—companies like Google, AT&T and Microsoft. In so doing, he could also offer them centralized control under one contract for a discounted price. Soon he had clients and technicians everywhere.

"We're the backbone of the technology industry," Frank says. "We're giving it its juice, making sure it's protected and that it runs. People don't know the gravity of what we do."

Not bad for a company built out of a once-condemned building.

—Christie Washam

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11 SF 4:00	12 SF 11:00	13	14	15 GAR 7:05	16 GAR 7:05	17 GAR 7:05	18 WPG 1:30	19 LIN 7:05	20 LIN 7:05	21 LIN 7:05	22 FAR 7:02	23 FAR 7:02	24 SF 7:05
18 GAR 1:05	19 SC 7:05	20 SC 7:05	21 SC 7:05	22 SF 7:05	23 SF 7:05	24 SF 7:05	25 FAR 7:02	26 FAR 7:02	27 FAR 7:02	28 SF 7:05	29 SF 4:05	30	
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KIERAN'S NEXT ROUND

BY BRIAN LAMBERT

PHOTOGRAPHY BY
TRAVIS ANDERSON

It's best to be careful when diving into the deep end of ethnic stereotypes. But it is also safe to say that with Kieran Folliard you get a whole lot of Irish. Notes of peat and mist and thatch fleck from him like, well, like aged-in-oak whiskey. He's arguably as well known as any restaurateur in the Twin Cities and may very well have interacted with more of his customers than any of his peers have.

A lot of people know Folliard, and probably quite a few think of him as a personal pal. He has that effect—instant buddy. He makes connections, largely because of what's missing. Which is to say the unmitigated blarney. Flattery? Absolutely. A seductive way with a tallish tale and a deep reservoir of charm? 'Tis so. But flagrant, pasture-grade County Mayo



B.S., of the kind that sinks a business reputation deeper than a lame cow in thick mud? No.

There's a there there with the guy, which you get immediately, or as soon as he moves to the science of distilling, the tactics of rebranding Irish whiskey for a generation that has grown up with a serious sweet tooth, and the business opportunities in the world of craft meats and cheeses.

It doesn't hurt that at 58, Folliard looks the part. He is the (very) rare guy who can actually pull off the disheveled, tad-bleary, four-day stubble look. On Folliard that much-aped style comes off as unimpeachably genuine. No one, man or woman, laughing at one of his Irish aphorisms wonders if he has taken grooming cues from some silly Fashion Week stylista.

Phil Roberts, CEO of the Parasole group of restaurants, (Salut, Pittsburgh Blue, Manny's, among others) has known Folliard well for years and has even consulted for him from time to time. "He's a delightful guy," says Roberts. "He's funny and fun to be with, and as a businessman he has very good instincts. I've found him and the people around him quite smart."

Back in Minneapolis in February for a single day amid a two-month barnstorming tour for his 2 Gingers whiskey, Folliard looks a wee bit ragged, like a couple more hours sleep might do him a bit of good. But he's on the countdown to the opening of a 26,000-square-foot meat and dairy processing facility, and among other hassles, several vital chunks of equipment coming in from Italy are being held up by U.S. Customs in New York.

He's had a few misses along the way. There was Molly Malone's on Washington Avenue. A couple tony expense-account places—Merchant's and Brassiere Zinc on Nicollet Mall—came and quickly went. But the losers have been outnumbered by winners.

2 Gingers is the brand he sold to Chicago-based Jim Beam Inc. three years ago, retaining the titles of both chief Irish whiskey ambassador to pub owners, restaurateurs and liquor distributors, and CEO of the Irish distillery that cooks the stuff. The whiskey gig and the meat and creamery adventure are advancing simultaneously, which explains the fashionably haggard look.

CREATING CONSUMABLES

Nevertheless, Folliard guides a tour of the next stop on his “journey,” as he and his people are fond of calling the experience of life. What he refers to as “the food building” is a low-slung, mostly one-story aggregation of unremarkable architecture more or less catty-corner from the ornate Grain Belt brewery in Northeast Minneapolis, not far from Dusty's Bar, home of “the homemade dago.” Were it not for the numbing 2-degree weather, the smell of dagos would likely be wafting his way.

For more than a year Folliard and his team of six, a couple of whom were with him when he owned the Local, the Liffey, Cooper and Kieran's Irish Pub, have been putting the old (some parts of it very old) veterinary stable through a floor-to-ceiling renovation (total investment, \$2.5 million). When completed it'll be the operational center of his next adventures in hospitality.

Red Table Meat Co., led by partner Mike Phillips, best known locally for his tenure in the kitchen at the Craftsman, the well-received East Lake Street restaurant, will specialize in aged, some might say artisanal, cuts from locally raised livestock. Skyway Creamery, managed by Reuben Nilsson and Folliard's son, Seamus, will do much the same with a variety of dairy products, primarily cheese, from happy Midwestern grass-fed cows. Simultaneously, upstairs, in a not-at-all corporate office suite of exposed 100-plus-year-old brick and gnarled oak support pillars, Folliard will lead Digging, the marketing, legal and management operation for Red Table, Skyway and whatever else might come through the door. Folliard owns 49 percent of Red Table (Phillips owns 51 percent) and 70 percent of Skyway.

“The way to think of this,” says Folliard, “is that Digging is a holding company for Red Table Meat and Skyway. Mike and Reuben and Seamus are providing expertise or sweat equity for their share, while we apply the marketing and administrative talents, so to speak.” The endeavor he says was entirely self-financed, with the exception of a “small loan” from Venture Bank, “with whom I've done business for quite a long time.”

Phillips, an Iowa native, is nursing a bad cold but he jokes, “I'm sort of the guinea pig here, in this arrangement. But the important thing is that the decisions are still my decisions. Kieran and his people are here for consulting and the groundwork [of building out a vendor network]. The arrangement makes sense to me because the alternative is a single storefront somewhere. But supporting a 4,500-square-foot processing facility with a storefront gets tricky, fast. With Kieran you have a guy who has good relations [with restaurants, grocers and delis] all over the state. Everything is a gamble. But those established connections mean a lot.

“And he's been hands-off. He's a good guy who offers his advice when you need it and lets you do your thing.”

For a time, Digging, led by Carrie Nicklow, (her husband is part of the famous Nicklow



Folliard hamming it up with a 2 Gingers staffer during an appearance at Metro Market in Milwaukee.

restaurant family), was known as “Driven Donkey.”

“But it was too good a brand to use for [a marketing business],” says Folliard as he points out rooms for community events, windows for visitors to look in on the creamery process (“not that it's all that exciting”) and a sizable locker for aging Phillips' meats. “Too good, especially with our tag line, ‘Kick your own ass.’ So we're saving it for something else.” Which could be, maybe, fermented products like drinking vinegars and tempeh. “I think that's going to be a growth market.”

“Digging” comes from a Seamus Heaney poem of the same name that famously asks the reader what sort of shovel he has to handle the tasks he's meant to do.

A SURVIVOR WITH A WANDERING EYE

The (very) short history of Folliard's career in Minnesota, which means leaving out the two years in the late '70s he spent raising milk cows with another restless Irishman in Saudi Arabia, goes like this: After arriving in 1987 as president of Andcor Cos., a venture capital gig with a specialty in entrepreneurial companies, he quickly grew bored with the corporate world, (“big companies struggle with innovation”), and gravitated to the one thing that all



Folliard standing in the not-quite-complete HQ in Northeast Mpls., home to his Red Table Meat, Skyway Creamery, and Digging.

A Folliard Timeline

1987	1992	1993	1997	2000	2003	2010	2011	2012	2014
Moves to the Twin Cities as President of Andcor Cos.	Sells share of Molly Malone's to partner John Rimarcik.	Kieran's Irish Pub opens in downtown Minneapolis.	The Local opens on Nicollet Mall.	Merchant's closes on Nicollet Mall.	The Liffey opens in St. Paul	Develops 2 Gingers Whiskey with Kilbeggan Distillery (Ireland).	Sells Cara restaurant/pub group.	Sells 2 Gingers to Jim Beam.	Production begins at Red Table Meat and Skyway Creamery.

Irish lads and lasses know—pubs.

He's had a few misses along the way. There was Molly Malone's, where Haute Dish is now on Washington Avenue. A couple tony expense-account places—Merchant's and Brasserie Zinc on Nicollet Mall—came and quickly went. But the losers have been outnumbered by winners, beginning with Kieran's Irish Pub (since moved into Block E) and, unquestionably, the Local, where, with his eye for culinary talent, he hooked up with chef Steven Brown of Tilia in Linden Hills.

Folliard laughs. "As I like to say, I began by flogging milk t' the Arabs and I've ended up flogging whiskey t' the Yanks." Like all Irishmen, Folliard has no shame about dropping the same lines over and over again, and no one ever seems to mind.

"Beneath all that Irish charm," says the South Dakota-born Brown, "is a lot of guile and grit. He's learned a lot over the years. I've lost track of the number of times he's told me, 'I've fallen down seven times and gotten up eight.' Hell, after [Brasserie] Zinc failed, he took a real beating. He put up his house to deal with that.

"But he's one of those guys constantly generating ideas and energy. He gets the hospitality business. And especially now, after all he's been through, he gets the business end of it.

"The Local," Brown continues, "had great sales right out of the gate, but not so much profit. What Kieran learned was how to keep shuffling the deck. I don't know how many general managers we went through until he found the team that made it work. 'Slow to hire, quick to fire,' is something he's learned along the way. It's made him both a great advocate and counselor."

“As I like to say, I began by flogging milk t’ the Arabs and I’ve ended up flogging whiskey t’ the Yanks.” Like all Irishmen, Folliard has no shame about dropping the same lines over and over again, and no one ever seems to mind.

Back in Northeast, in the food building, Folliard flops on a workbench and says, “Thing is, y’see, even when I had the pubs, I wanted to be in the production business. T’ get back to the land, you might say. Somewhere I still have plan I drew up years ago for a sausage business. It would have been a wet sausage, not like Mike’s here, which will be dry. But I’ve always liked this sort of thing, always wanted to be in it somehow.”

BIRTH OF THE GINGERS

Despite the Local’s renown as Jameson Whiskey’s biggest single account, Folliard had a wandering eye. His relationship with the Kilbeggan Distillery back in County Westmeath (a 70-mile drive southwest of Folliard’s home sod in Ballyhaunis), and its master blender, Noel Sweeney, led him to develop 2 Gingers in 2010. Named for his red-haired mum and aunt, he regards it as a “more accessible” whiskey.

It is, he says, a whiskey easily mixed for appeal broader than the manly, gasp-inducing traditional stuff. With team Folliard’s marketing wit, 2 Gingers clicked. Married to a not-so-strong ginger ale, garnished with lime or lemon, and served in “an egalitarian setting” like a fine Irish pub, even women fond of mix-amenable vodkas and gins liked what they tasted.

In a nutshell he says, “I wanted to go after domestic beer and vodka drinkers.”

On July 4, 2011, Folliard, bowing to a law prohibiting distillers from also selling retail liquor, sold off his Twin Cities restaurants to longtime employee Peter Killen. He won’t disclose the price. Barely five months later, Beam stepped in and bought up Kilbeggan’s parent company, Cooley (Ireland’s last independent distillery), for a little more than \$95 million. Ten months later, in a deal a coy Folliard puts at seven figures, Beam picked up 2 Gingers as well.

As a further example of our “go big or go home” world, this past January Beam itself was bought up by the Japanese liquor giant Suntory in a \$16 billion deal. For his part, Folliard is unconcerned. “There’s no reason for them t’ change anything we’re doing. For me, I suspect I’ll have to buy a couple more Rosetta Stone disks, but otherwise it’ll be business as usual. Things are on a good track.”

He shows off the door of a huge walk-in safe he rescued from Bjorkman Furs that now is installed in Digging’s office suite. The small room behind it could be a solitary detention cell. “I call this our employee motivation chamber,” he says, laughing. “You go in and stay until I hear some better ideas out of you.”

“I wasn’t tired of the restaurant business,” he says. “I had no choice [but] to divest because of the law. But had I somehow kept them, I probably still would have started something new, I think. I like to start things. So this”—he glances at the polished floors, the pressure-washed brick and long runs of gleaming stainless steel awaiting product—“becomes an interesting leg of my journey.”

He says he likely wouldn’t have sold 2 Gingers to Beam if he owned his own distillery. “But I didn’t. So it made perfect sense, since we got on well, to ‘buy in’ to them, as I say, and use their marketing muscle to take 2 Gingers national. It would have taken years for us alone to have gotten

it out of Minnesota. I love the business, but it is cutthroat—oh God, is it. The relationships are everything. But if I had my own distillery, here in Minnesota, it might have been different.”

ON THE ROAD: THE FULL FOLLIARD

Metrics relating to 2 Gingers are a bit on the vague side. What Folliard (and Beam) will say is that they moved 20,000 cases of 2 Gingers in Minnesota alone before the Beam buyout. The goal—hence the crushing road show—was to have distribution in all 50 states by summer, with Kilbeggan furiously cranking up production. “Europe,” he says, “will have to wait.”

To appreciate what you might call the full Folliard in all his Celtic glory, you have to see him work a crowd—Jim Beam reps, the liquor store manager, a cute deli worker and the milling public—at a 2 Gingers tasting event in a place like the trendy Metro Market just north of downtown Milwaukee.

It’s the fifth of seven scheduled events on the second day of his Milwaukee visit, a two-hour meet-and-greet with whoever steps up to try a sample. One minute he’s cajoling two young women to declare an early happy hour, the next he’s trading tales with the store’s Polish liquor manager, a lifelong bar-owner. Check back a minute later and he’s posing for pictures, pretending to smash a bottle of 2 Gingers over the head of his designated pourer.

A fashionable Bay Area couple, Jim and Cindy Cleveland, in town for a funeral, can’t hide their amusement. Told that Folliard is a well-known presence in the Twin Cities, Cindy says, “I can see why.” Eventually Folliard rotates by, and the three lock up in an informed discussion of the best mixes for lighter whiskeys.

A Beam exec, Mike O’Leary, watching the show, says, “He’s a natural salesman. We couldn’t ask for anything more.”

A few hours earlier, at a window table in Mo’s Irish Pub in the heart of downtown, Folliard explains that the vibe of his pubs, the branding of 2 Gingers, and by extension Red Table Meats and Skyway Creamery, is rooted in a family ethos that values a job well done, with little stock in affectation.

He grew up working on the family farm, and, he says, “my father would forever tell me, ‘If you’re not going to do a job well, then don’t do it at all.’ And being a teenager, I’d tell him, ‘Fine, I won’t do it at all.’ ‘Get your butt back out there,’ he’d yell at me.”

“I don’t like snobbery. When I had the pubs, these sales guys were always coming in talking up their stuff as ‘the most exclusive this’ and ‘the most elite that’ and how everything they had in their bag was steeped in tradition. Like we’re all going to put on our tweed jackets and go out huntin’ foxes later,” Folliard recalls. “I had to tell them, ‘Come on lads, knock it off. Don’t give me all the bullshit. Will ordinary people drink it? That’s why we have the tagline for 2 Gingers that simply says, ‘Drink with friends or with ice.’”

(Another team Folliardism about 2 Gingers: “It can stand on itself, even if you can’t.” Folliard’s wife, Lisa Kane, an oncology dietitian by profession, came up with a poster that says “Danger: Women and whiskey.” She is also, Folliard says, “my branding guru.”)



Folliard makes new friends of Jim and Cindy Cleveland at Metro Market in Milwaukee.

LIVE THE MISSION, DUMP THE SLOGAN

Clearly, Folliard intends for the egalitarian qualities of his pubs to extend to both 2 Gingers and various products coming out of the Food Building

Folliard tells of talking to a group of Carlson School of Management students at 6 on a Friday night not so long ago. "I started out by saying, 'What in the name of God are you doing here at this hour? Why aren't you at a pub enjoying happy hour?' And one of them piped up, 'We just came from there, and we'll be goin' back as soon as you're done.' But I still waffled on for an hour and a half, so I did."

Naturally, the incipient entrepreneurs wanted to know "the keys" to doing it right.

"You know how you walk into some big companies and up there behind the reception desk you see the mission statement in big fancy gold letters? It's complete bullshit. Nobody lives that, and I'm not just talking about Wall Street.

"So I told the kids that night, 'If you start anything, don't put it up on a wall. Have people know it by what you do every single day. By how you relate to people. How you treat people. How you treat the community, your resources, all those things.

"I'm too old for the bullshit," Folliard adds, "and all that gets in the way of the important ingredient of . . . clarity. Are we clear about who we are and what we're doing? It may be the wrong thing, but are we clear about it?

"Do that and, hell, you'll save yourself signage." **TCB**

Brian Lambert is a local journalist who, among other endeavors, writes "The Glean" for Minnpost.com.

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Ability to Succeed

Investors pour half a billion dollars into Ability Network

Minneapolis-based Ability Network Inc. flashed upon the national deal radar in March, first rumored to be selling for \$500 million, and later announcing instead that it received \$550 million in financing. The news left many wondering: “Who are these guys?”

Founded in 2000 as VisionShare Inc., the company quietly grew to become a national leader in its area of specialty—processing Medicare payments for health care providers. And along the way, it’s picked up powerful and well-respected investors, including Boston-based Bain Capital, one of the world’s leading private equity players, with more than \$70 billion under management.

Yet Ability has flown under the radar of many local deal watchers and medical industry professionals. One reason could be the Twin Cities’ tendency to focus mostly on industries it knows best, particularly medical device companies.

St. Louis Park-based trade group LifeScience Alley reported that local medical startups raised \$341 million in financing in 2013, the best showing in the last five years. But nearly 90 percent of that money was raised by medical device companies. Health IT companies in Minnesota raised \$27.4 million last year, only 8 percent of the total.

Nationally, however, health IT is becoming hotter than med-tech. For example, the March initial public offering of San Francisco-based Castlight Health Inc., a health care software company, drew attention when its valuation soared to more than \$2 billion, even though that company is still losing money and posted revenue of only \$13 million last year.

It’s within such an emerging, high-valuation marketplace that Ability has developed a secure, web-based network that allows hospitals and other health care providers to connect with Medicare, tracking claims and reimbursement more efficiently, and less expensively, than anything else available today.

“The markets that we have the opportunity to go and serve are multi-billion-dollar markets,” says CEO Mark Briggs, who joined the company in 2010 to reposition and grow it more quickly. “We’re a long ways away from saying that we feel like we’ve done all the work that we have here to do. We’ve grown it tenfold, but there’s another hundredfold to grow.”

Since landing at Ability, Briggs has appeared at forums presented by the Collaborative, a Minneapolis-based organization serving emerging companies.

“Just in the time since [Briggs] has been brought on as CEO, that company has more than doubled in size,” says Dan Carr, president of the Collaborative. “Ability is in a very unique space. ... When Bain puts dough into a Minnesota company, that’s a huge thing to be celebrating.”

The company also had a solid foundation to work from. It was the first to be approved to connect providers to the Centers for Medicare & Medicaid Services (CMS) through a secure web-based system in 2004. Briggs says that his charge was to reposition what was a tech company at heart and rebuild it to better serve health care clients.

“We took this technology company, pivoted it to become a health care company and began listening to our customers and understanding how they had been using this technology network, and what we could do to add more value,” he says. “The idea was, ‘My goodness: It’s a health care startup with a 10-year history and a huge customer base and great talent.’”

With this approach, and amid the changing health care landscape—which has evolved more rapidly since the Affordable Care Act was signed into law in 2010—Ability has been able to grow to where its platform now serves 40,000 people in hospitals, nursing homes and hospices.

Briggs is not from Minnesota’s deep bench of health care executives: He’s from Boston, with a track record with several health care companies. He was originally recruited as a potential board member, but wound up becoming CEO. VisionShare was renamed Ability Network in 2011.

“I just couldn’t believe it when a friend of mine who was trying to fill this board seat called and described this little bitty company in Minnesota that had half the hospitals in the country and thousands of other providers, like home health agencies and skilled nursing facilities, using their technology. I said, ‘You have to be kidding. This is the best-kept secret in the industry,’ ” Briggs says. “I asked my friends at Bain Capital to come on and help and rebuild this company going forward.”

According to an April 2012 filing with the U.S. Securities and Exchange Commission, the most recent on file for the company, Ability raised more than \$27.7 million in equity through a financing round. Based on the SEC filings, it’s not clear how much the company has raised since its inception.

While some local med-tech players lament that financing has become much tougher to find, Briggs thinks that entrepreneurs with a solid business plan can find capital even during tough market cycles.

In March 2013, the company announced a deal to acquire its main

By Burl Gilyard



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**“We’ve grown the company tenfold,
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—Mark Briggs, CEO of Ability Network Inc.



competitor, the Stamford, Conn.-based Ivans Inc., which further expanded its network; the price of the deal was not disclosed. Ivans, an older company than Ability, was actually the first company that was approved to connect with Medicare back in the 1990s, albeit through a dial-up modem.

Efficiency sells

■ Health care reform has been working to Ability’s advantage. Ability’s biggest partner? The federal government.

“Providers have to get a lot better at being efficient in the administration of care to capture the reimbursement made available to them from Medicare and, of course, all of the commercial payers that follow Medicare’s lead,” says Briggs. “The biggest partner we have in the company is Medicare. We are the nation’s dominant network for CMS and Medicare.”

Ability’s headquarters are in the Butler Square building in downtown Minneapolis, but the firm also has offices in Boston and in Tampa, Fla., with smaller satellites in other cities. The company has more than 200 employees and continues to grow. Briggs mentions both Atlanta and San Francisco as cities that he has his eye on.

“We will continue our geographic expansion across the country,” Briggs says. “The company has just been growing like a weed.”

Golden Valley-based Home Health Care Inc. has used the Ability Network system for about a year. The company’s director of finance, Paula Symicek, says that Ability has been a great tool for the company, a home health care agency with about 500 employees.

“We want efficiency. We’re a bigger operation so we want things to be seamless,” Symicek says. “Nothing comes close to what they have. It’s user-friendly. Anybody can use it. It’s a huge asset to our company. It’s a wonderful system.”

Using Ability, she says that her company can quickly determine a patient’s Medicare eligibility and can track claims through the system. Part of the appeal of the Ability Network system is its simplicity: All of the relevant information can be seen on the first screen that users pull up.

“You don’t go through 80 other screens. It’s all in front of me,” Symicek says.

Previously, Home Health Care worked directly with Medicare, selecting Ability over three other competitors because the Ability system was much more streamlined. Symicek adds that Ability's approach is not weighted down with convoluted jargon.

"It is totally in English," Symicek says.

Breaking through the device bias

■ In June 2000, VisionShare was a brand-new company with an idea to move health care information securely over the Internet. John Fraser and Amy Coulter co-founded the company, which was originally based in the Court International building in St. Paul near the intersection of University Avenue and Highway 280.

"When we started our biggest competitor was Ivans, which had a bunch of modem banks," Fraser recalls. "The federal government was allergic to using the Internet in 2000 because of security concerns."

Fraser remembers that in the land of 10,000 medical devices, many potential investors did not understand the company's concept.

"When we talked to investors they wanted to know about our FDA approvals," Fraser says with a laugh. "Because it was health IT we were sort of invisible here in the Minneapolis area."

Fraser, a self-described "start-up guy," ultimately left VisionShare in 2006 to launch another company, ApeniMED, which sold in 2013. Now he's preparing to launch his next venture, iCareSoft LLC.

Fraser declines to discuss VisionShare's historical revenue or the money it raised from investors, but says that the company had about 50 employees when he left in 2006. An SEC filing from January 2005 details the company raising \$832,000 in equity through a financing round. The filing does not identify the investors.

When it was still VisionShare, the company won a Tekne Award in 2006 from the Minnesota High Tech Association as an emerging company in the IT software, communications and infrastructure category.

At the time, Tekne judges noted, "VisionShare's Secure Exchange Software provides a single method of communication to health care payers, allowing the health care provider to remove expensive leased lines, eliminate time-consuming dial-up connections and automate regular data exchanges."

Fraser is proud of the company that he co-founded: "I think what this demonstrates is the growing strength of the whole health IT market in Minnesota."

Keeping mum

■ Briggs spoke with *Twin Cities Business* late in 2013 about Ability. After a *Wall Street Journal* story hit the streets, Briggs declined to talk further. As *Twin Cities Business* went to press, Ability Network announced a \$550 million "strategic investment" from Boston-based equity investor Summit Partners. The investment – which was not a sale of Ability – represented "one of Summit Partners' largest healthcare transactions to date."

The *Wall Street Journal* cited unnamed sources who claimed that the \$500 million asking price translated into 17 times the company's estimated \$30 million in 2013 earnings before interest, taxes, depreciation and amortization (EBITDA) in an increasingly heated climate for health IT deals. Briggs declined to disclose the company's revenue to *Twin Cities Business*.

Bain's Jeff Crisan sits on the Ability board. The board also includes Tony Miller, managing partner of Wayzata-based Lemhi Ventures, another Ability investor. Miller was the co-founder and CEO of Definity Health, a health benefit company sold to UnitedHealth Group in 2004. Neither Crisan nor Miller returned phone calls from *Twin Cities Business*.

(Bain Capital is also a backer of Eden Prairie-based Bluestem Brands Inc., a catalog retailer that's the parent company of Fingerhut. Reports surfaced in late March that Bluestem was also up for sale.)

In his 2013 interview, Briggs said he sees a big horizon for Ability.

"We've come nowhere close to cresting on the value that the company can go and provide to our customers and then reflect back to our shareholders," says Briggs. "We're in the early stages of this growth opportunity." **TCB**

Burl Gilyard is a senior writer at TCB.



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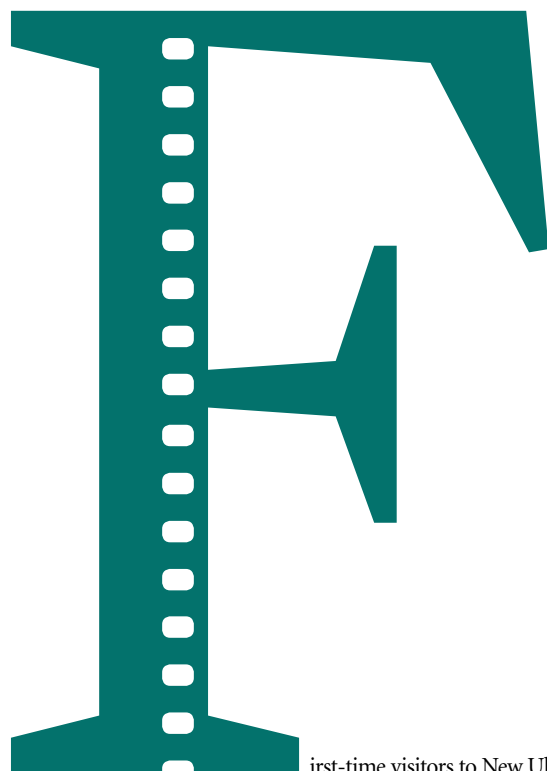




Take Two

**Minnesota moves beyond playing
a bit part in the multibillion-dollar
film and TV production industry.**

by Dale Kurschner



First-time visitors to New Ulm still occasionally bring up how much they feel like they already know the community because of what they saw in the 2009 movie *New in Town*. “There’s a bit of pride in that,” says Audra Shaneman, president and CEO of the New Ulm Chamber of Commerce. “Not every town can say it was featured, whether fictionally or not, in a movie with big-name stars.”

The film’s stars, Renee Zellweger and Harry Connick Jr., weren’t really in New Ulm, however. Neither was the rest of the cast or production crew, or the estimated \$8 million spent making the movie. Instead it was shot in Canada (Selkirk and Winnipeg, both in Manitoba)—yet another example of how, since about 2001, it had become much cheaper to produce elsewhere movies depicting Minnesota stories and settings.

But in a surprising plot twist, Minnesota has suddenly regained its status as an affordable place to make motion pictures. And its available talent in this industry, along with other recent developments and plans, may soon elevate the state’s standing as one of the better places in the country to make movies (see “Minnesota’s on the Map”).

A comeback story?

It’s a remarkable turnaround considering how bleak the outlook was for the local filmmaking industry as recently as two years ago. By then, a decade of missed major movie opportunities had bruised Minnesota’s ego as well as its pocketbook. Besides *New in Town*, other Minnesota-set movies shot elsewhere in the last 10 years included *Miracle* (2004), *Juno* (2007), *Leatherheads* (2008), *Gran Torino* (2008), *Public Enemies* (2009) and *Contagion* (2011).

Considering these six movies alone had budgets totaling an estimated \$286.5 million, Minnesota lost out on at least \$477 million that could have employed thousands of Minnesotans and helped fill its tax coffers, based on multipliers used by a consultant working for the Minnesota Film and TV Board (see “Moviemaking Multipliers”). The trend also hurt because not that long before, the state seemed to be on top of the moviemaking world beyond Hollywood.

Minnesota produced 70 feature-length movies during the 1990s, at least 20 of which were led by major studios and/or received theatrical distribution. Along the way, it developed a local filmmaking industry that threatened to rival that of any other state outside of California. By 2001, the motion picture and sound recording industry in Minnesota employed a record 5,505 people and generated more than \$272 million in economic activity (\$335 million in 2010 dollars), according to Minnesota Film and TV.

The state’s success back then was due to momentum that built once Disney decided to film *The Mighty Ducks* here. The movie was released in 1992; Disney went on to film two more *Mighty Ducks* movies and launched its theatrical production of *The Lion King* at the Orpheum theater in Minneapolis. Disney even held one of its annual shareholder meetings in Minneapolis in those years. Meanwhile, other films such as *Grumpy Old Men* fostered a reputation for Minnesota as moviemaking-friendly.

In 1998, however, Canada began providing financial incentives to attract such projects. Minnesota had started an incentive program in 1997 known as Snowbate, but it quickly paled in comparison with Canada’s much higher production incentives, along

Minnesota’s on the Map

Minnesota is returning to the movie-making scene with a vengeance and may soon become one of the better places in North America to produce feature-length films due to a confluence of recent events:



Its talent—from actors, writers and editors to set designers, stage crews, directors and producers—is increasingly sought by filmmakers worldwide.



Producers of two feature-length films made in Minnesota last year chose this location primarily because of its talent. Their films beat 4,055 other films vying for a spot at this year’s Sundance Film Festival and wound up winning two of only 16 awards presented for non-documentaries.



The State of Minnesota has allocated \$10 million for rebates to films, TV shows or commercials that have at least 60 percent of their production done in the state. It’s the largest amount of such funding in state history, and this “Snowbate” of up to 25 percent places Minnesota among the 15 most affordable states for such work.



The Iron Range Resources and Rehabilitation Board provides a reimbursement of up to 20 percent for movies filmed in its territory. Combined with the Snowbate, a movie produced on the Range can be reimbursed for up to 45 percent of its costs. This is one of the nation’s most generous filmmaking incentive packages.



Efforts are underway to open a movie set and soundstage this summer on the Iron Range, where two movies are already scheduled to start filming and five more are in the works.



All of these developments are generating momentum that will be directed toward advancing the creation of a four-year professional degree school of cinema production at the University of Minnesota.

Moviemaking Multipliers

How spending in TV and film production boosts Minnesota’s economy

	SPENDING	EARNINGS	EMPLOYMENT
MULTIPLIER	1.665	0.412	18.89
DESCRIPTION	“For each \$1 million spent in this industry, total economic output increases \$1.66 million; includes direct, indirect and induced spending.”	“For each \$1 million spent in this industry, earnings for firms involved in it increase by \$412,000.”	“For each \$1 million spent in this industry, 18.9 jobs are created (beyond those needed during production).”

DONJEK 2013 ANALYSIS OF DATA PROVIDED BY THE REGIONAL PRODUCT DIVISION OF THE BUREAU OF ECONOMIC ANALYSIS, U.S. DEPARTMENT OF COMMERCE



From top: Kumiko (Rinko Kikuchi) from *Kumiko, the Treasure Hunter*; *Kumiko* producer Nathan Zellner; the cast of *Dear White People*. Both *Kumiko* and *Dear White People* were shot at least in part in Minnesota in the past year.



with those of a fast-growing list of other states. As a result, film production here dropped by more than 50 percent between 2001 and 2011, and fewer than 10 movies made in that period were significant in terms of backing and theatrical release. In that same period, the local motion picture and sound recording industry lost 1,713 jobs, or 31 percent, as its overall economic output dropped by 39 percent, or \$132 million, according to the U.S. Department of Commerce's Bureau of Economic Analysis.

This trend also hit Hollywood hard. The Milken Institute estimates California lost 36,000 jobs and \$2.4 billion in wages between 1997 and 2008. The number of movies wholly or partially filmed there fell from 272 in 2000 to 160 by 2008. Only recently has California begun offering film-produc-

tion incentives and more aggressively marketing itself as a place for filmmaking.

The Milken Institute points out that California still ranks among the top five locations in North America for filmmaking (the others are Vancouver, Montreal, Toronto and New York). But competition continues to strengthen, and producers now consider several other states to be preferable filming locations. Topping their lists are Louisiana, Texas (Austin), Michigan (Detroit), New Mexico (Albuquerque), Washington (Seattle), and Illinois (Chicago), based on local talent, ease of filming, financial incentives and access to studios and soundstages.

While much of Minnesota's feature filmmaking went elsewhere during the last 13 years, Minnesota's industry was able to maintain a pulse due to its strong television

base (besides four network news stations, it's home to Shop HQ, ValueVision's home shopping channel, and Colleen Needles' TV production company, Tremendous! Entertainment); increasing demand for filmmakers' expertise among the state's ad agencies (Minneapolis is home to more ad professionals per capita in the country besides New York); growing video-related messaging for clients and employees by major corporations; and requests from producers and directors for Minnesota professionals to join them on sets for movies filmed in other locations, according to Minnesota Film and TV's executive director Lucinda Winter.

The Twin Cities is also home to abundant acting talent, with more theaters per capita than any other metro area outside of New York, and it consistently ranks as one of the nation's five best places to take in live theater. This robust stable of talent has quietly put Minnesota on the map for something more than cash incentives.

Talent show

To the general public, such talent is most recognized when films such as *Captain Phillips* and *Gran Torino* came to Minneapolis to find their co-stars (*Gran Torino* also was written by St. Paulite Dave Johannson); hometown producer Bill Pohlad wins another Oscar, as with this year's Best Motion Picture, *12 Years a Slave*; and when Minnesota natives score big, such as Melisa Wallack, who was nominated for a screenplay Oscar this year for *Dallas Buyers Club*. But the majority of the talent in moviemaking lies in the positions that appear after the cast's names scroll by during the credits. And it's this talent that's especially appealing to filmmakers scouting for a place to shoot.

For example, two films produced in Minnesota last year beat 4,055 others to show at this year's Sundance Film Festival and walked away with two of only 16 awards



Movies Made in Minnesota Notable feature-length films

DOES NOT INCLUDE MANY SMALL INDEPENDENT FILMS.



1970-1990 *Airport*, 1970 / *Slaughterhouse-Five*, 1972 / *The Heartbreak Kid*, 1972 / *Foolin' Around*, 1980 / *Purple Rain*, 1984 / *That Was Then ... This is Now*, 1985

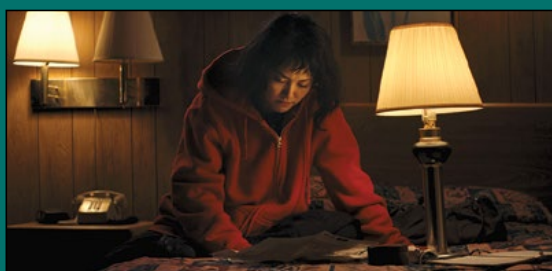
Could the Money Really Be There?

Kumiko, the Treasure Hunter is about a lonely, somewhat depressed Japanese woman who travels from Tokyo to Minnesota in search of the fictitious fortune hidden under snow along a rural fence line in the movie *Fargo*. She's convinced the treasure's real because *Fargo* opens with a message stating that what viewers are about to see is a true story. And urban legend has it that some people have indeed searched the movie for clues to find the money, and that some have actually gone out looking for it.

"We certainly have had a number of requests in reference to the movie *Fargo*. Most

are generated by the idea that something similar happened in the community to cause someone to write the story, and obviously, no, it's fiction," says Lt. Joel Vettel, who heads the Fargo Police Department's investigations unit and serves as its public information officer. "As far as the treasure, we've never had anyone come in with an interest in finding it. Periodically we hear rumors about people looking for it, but nobody has come in and asked us."

Plus, he adds, even if people were to look for it, they'd



need to do so further north. "It may sound odd to say for *Fargo*, but we didn't have enough snow when they were here filming the movie, so they had to go further north for those scenes." The fence posts where Carl Showalter (Steve Buscemi) left the briefcase full of money were probably north of Grand Forks.

But the legend of people looking for it was enough for Austin, Texas-based writer/directors David and Nathan Zellner to develop the story into a movie, with financial support from Australian producers Andrew Banks and Cameron Lamb and their L.A.-based Lila 9th Productions. —D.K.



Kumiko (Rinko Kikuchi), left, studies her treasure map on her quest to find the cash left behind by Carl Showalter (Steve Buscemi) in the movie *Fargo*.

presented to non-documentaries.

"We scouted Michigan because of the tax incentives there and we also looked at Canada. There were a lot of places we could have gone to make it. But it was about the people," says Chris Ohlson, one of the producers behind *Kumiko, the Treasure Hunter*. The movie is about a lonely Japanese woman who journeys to rural Minnesota to seek out the money buried in the snow by a fence post in the movie *Fargo*, which she believes is real (see "Could the Money Really Be There?"). The movie was well received at the film festival, where it won the U.S. Dramatic Special Jury Award for Musical Score.

"I have a good friend who's a producer and production manager who we connected with about three or four years ago and scouted all around Minneapolis," Ohlson says. "We then met with some of the department heads at the city, discussed our needs and realized going to Minneapolis would be a wonderful experience because there's a level of crew there that's done a lot of commercial work but has also been around for a while and has done work on other movies."

About half of the movie was filmed in Ja-

pan, the other half in Minnesota. All of the talent beyond the producers, director, two actors and a photographer was hired locally, amounting to work for 35 crew and 15 cast members.

"One of the nice things about Minneapolis/St. Paul was that everything we needed was in reach," says Nathan Zellner, who co-produced the movie. He also wrote and starred in it; his brother, David Zellner directed it and also starred in it. "You can go 10 minutes out of town and feel like you're in the middle of nowhere. It was a good home base: People [on the crew] could sleep in their homes at night and go to work in the morning."

The furthest north the team went was 20 miles outside of Bemidji for a couple of days. "We started shooting in mid-January and finished in mid-February. We got exactly the look we were looking for, and most of the movie takes place outside."

It was the Zellners' third feature film to show at Sundance and their first film to be shot outside of their home base of Austin, Texas. They did not receive a rebate to film in Minnesota because less than 60 percent

of the film was shot here.

"We had a wonderful experience in Minneapolis because of the crew base there," Ohlson says. "It wasn't a financial decision. But, he acknowledges, "Nathan and I are probably in the minority in that we could set up a movie like this because of the people we know in the industry. Incentives are becoming a central discussion point more often because money has gotten harder to find for movies."

Similarly, the lead producer of the other award-winning feature-length film shot in Minnesota last year says she chose the Twin Cities because of its people.

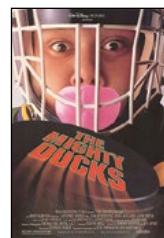
"I make a lot of movies all over the place. A cash rebate definitely played a factor in our choosing to film [*Dear White People*] in Minnesota," says the film's producer, Effie T. Brown. "But other places have incentives and we couldn't do it [in those places] because we needed a place excited to have us and open to having us," Brown shot a lesser-known movie here a few years before and had become familiar with area talent and their willingness to go the extra mile to make things work.

"Minnesotans are wonderful, friendly and helpful. When you go somewhere and don't have enough money to do everything you want to do, you need fans. People there are lovely, from allowing us to work at the University of Minnesota, the Woman's Club. ... We could not have made this film anywhere else." Still, the rebate also helped, she says.

Dear White People was filmed in the Twin Cities last summer and features Naomi Ko, a Twin Cities actress who recently graduated from the University of Minnesota and writes and performs locally. The satirical film follows biracial and black students in a mostly white Ivy League college as they navigate the politics and prejudices omnipresent on campus. The movie's director and screenwriter, Justin Simien, won Sundance's U.S. Dramatic Special Jury Award for Breakthrough Talent.

The incentive for incentives

The Legislature allocated \$5 million in October 2013 and another \$5 million due this July 1, giving Minnesota's Snowbate



/ *Youngblood*, 1986 / **1990-1999** *Drop Dead Fred*, 1991 / *The Mighty Ducks*, 1992 / *The Good Son*, 1993 / *Grumpy Old Men*, 1993 / *Iron Will*, 1993 / *Untamed Heart*, 1993

How Snowbate Works

Example: *Dear White People*

Filmmaking budget
\$1.67 million

Percent produced in Minnesota
99%

Minnesota expenditures (including payroll)
\$1.16 million

Reimbursement (@25% of \$1.16 million)
\$290,478

Net savings to filmmaker
17%

Net direct proceeds to Minnesota economy
\$869,522

Minnesota payroll
\$687,000

Expenditures include costs related to **20** shooting days, **50** editing days, hiring **262** people including background characters, and **28** days of hotel accommodations for nine cast members at **\$100** per day.

SOURCE: MINNESOTA FILM AND TV

program its largest war chest to date. This is in stark contrast to more than 10 years of little to no state funding due first to governors who believed that tax dollars should not fund film and TV projects, and later, broad government budget cuts due to the recession.

Snowbate provides a rebate of up to 25 percent on costs incurred while producing a movie, television show or commercial in Minnesota, as long as at least 60 percent of the production occurs here.

This \$10 million available this year compares with a total of \$6.4 million Minnesota Film and TV had to work with during the 16 years after it began in 1997. And it positions Minnesota among the top 15 states in the country seeking to attract new production for big and small screens.

Meanwhile, 41 other states continue to offer filmmaking incentives. Yet while 14 of them offer larger rebates, discounts or other benefits, Minnesota's abundance of talent and Minnesota Film and TV's ability to quickly navigate scouting, talent sourcing, permit applications and other behind-the-scenes matters help it compete.

Dear White People is proof. "It should have been a \$5 million movie," considering other potential shooting-related expenses, Brown says, but Minnesota's thriftiness and helpfulness—as well as its rebate—helped keep costs low, Brown says.

Creative financing and cost savings are particularly important for indie films such as this, where the chance of making a return is lower than that of films produced by the major studios (see "The Movie's Made, Now What?"). As such, most indie filmmak-



Melrae Pictures founder and CEO, director and producer Melissa Butts.

ers choose states with significant financial incentives to help improve their chances of at least breaking even.

Providing rebates of up to 25 percent to attract such producers may seem steep, but the return can be attractive: For every \$1 to be spent through the state's filmmaking rebate program to *Dear White People*, about \$3 in direct spending occurred (see "How Snowbate Works").

In general, for every \$1 spent in the motion picture and video industry in Minnesota, total economic output increases by \$1.66; in other words, \$1 million in spending creates \$1.7 million in economic output, according to an analysis of government data conducted for Minnesota Film and TV by Donjek Inc., an urban redevelopment consulting business based in St. Paul. Another multiplier: For every \$1 million spent in the industry, 19 ancillary jobs are created (see "Multipliers," page 37).

(These estimates remain conservative findings compared with those of other states. Massachusetts, for example, estimates that for every \$1 of film tax incentive it awarded in 2011, \$10 in spending was generated in the state. The \$37.9 million in credits generated \$375.3 million in economic output and was responsible for 2,220 full time jobs across all industries.)

Another important factor: the residual jobs film productions produce. Snowbate dollars—as scant as they were until this year—helped create jobs that remained in the Twin Cities long after the Snowbate-funded project wrapped up.

"Several years ago my distributor was

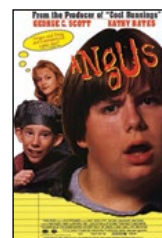
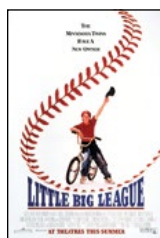
pressuring me to produce my movie in Canada because of the incentives being offered there. I replied, 'I can match that,' hung up the phone and thought 'What am I going to do now?' But I wanted to film it here," says Melissa Butts, founder of Minneapolis-based Melrae Pictures, an award-winning creator of 3D and standard entertainment for theatrical, broadcast, internet and mobile distribution. It was her first large-scale project, and she knew people in the Twin Cities who could help bring it to life. She applied for and received a Snowbate.

"We hired the production crew to build the set, and everyone else, here. The team we worked with cut their chops [in filmmaking] with that project," she says. The team of about 20 people did everything from writing, animation and creative direction to visual effects, post-production and original score/sound designing.

That film, *3D Sun*, was a hit and launched Melrae Pictures' reputation; the company has become one of the world's most respected producers of 3D films. It also created a small ecosystem of behind-the-scenes talent that remained here to work on other projects, including Butts' most recent movie, *Space Junk 3D*. The 3D IMAX film has been luckily timed with the Oscar-nominated picture *Gravity*; both portray ground-based rockets destroying a satellite and how the resulting debris field can wreak havoc.

Space Junk 3D won the top prize at the Dimension 3 Festival in Paris, the largest international competition for 3D productions, and is expected to be shown at more

continued on page 42



The Cure, 1994 / *D2: The Mighty Ducks*, 1994 / *With Honors*, 1994 / *Little Big League*, 1994 / *Embrace the Vampire*, 1994 / *Angus*, 1995 / *D3: The Mighty Ducks*, 1995 / *Grumpier Old Men*, 1995

The Movie's Made; Now What?

People generally tend to think of movies and television as what's produced by studios such as Columbia, Disney, Paramount, Warner Brothers, Universal and 20th Century Fox to be shown in movie theaters; cable companies HBO, Starz, Showtime and others; television broadcast networks; and, increasingly, websites such as Netflix, which has produced its first TV series, *House of Cards*.

But there's a world of independent, or "indie," filmmakers producing thousands of feature-length movies each year. While chances are good you'll never hear of most of these lower-budget films, they employ more people in the industry and are the incubator where the blockbuster stars of tomorrow are nurtured.

Indie films are typically financed by one or more of their producers. Sometimes they look for financial success, other times for critical acclaim to help set them up to make more movies. Either way, they need to show at film festivals to have

Effie Brown, producer of *Dear White People*, which was shown at Sundance this year. (In attendance were buyers from Sony Pictures, Warner Brothers, Fox, Paramount, Starz Distribution, Lionsgate Films, Rogue Pictures, New Line Cinema, Miramax, and other film distribution companies, and a few of them saw *Dear White People*.)

Once a movie is shown, its producers and directors hope to work out a lucrative arrangement with one of the distribution companies that has seen it.

"It's an interesting thing, the whole distribution process," says Nathan Zellner, who, with his brother, David, has had three movies premiere at Sundance in recent years, including *Kumiko, the Treasure Hunter*, this year. "It's all based on how well the film performs, how the crowd reacts, buyers who are in the theater, and what else is available this year."

"We were blessed to be in the dramatic competition, the part of the program that has a lot of eyes on it; that puts it in high

tured is another. And it's becoming more and more difficult, given how competitive the industry has become, Brown says.

"There are so many distribution deals available nowadays, and a lot of them don't necessarily provide proper distribution along the traditional model," she says. After *Dear White People* was shown at Sundance, "we were able to arrange a more traditional distribution release [with Lionsgate Films] where we're going theatrical in 15 out of 25 major cities and have a proper P&A [print and advertising] budget. Hopefully we'll do well theatrically."

A movie's distribution may or may not start in movie theaters, but is nonetheless "windowed" through multiple mediums along the way. These windows include theatrical, DVD, pay TV (HBO, Starz, Showtime, digital Netflix, Hulu Plus), ad-supported TV (cable networks such as AMC, Turner and Hallmark), pay per view, video on demand and free TV.

How much a movie's investors, producer, director, talent and production crew make depends upon how they structure their investment, compensation plans and finally, the distribution deal. For most indie film producers, it works best (when possible) to have distributor pay an up-front fee for all distribution rights, with the potential of additional revenue on the back end, after all distribution costs are recouped (which usually takes years to see). More money up front means less chance to earn a percentage of any profit the movie might make, but cushions against risk if it doesn't do well. Meanwhile, distributors can offer too little, either with



up-front cash or percentage of potential profits.

Most of the movies that appeared at Sundance will not receive a distribution deal where they will be shown in movie theaters. The next best thing would be for them to be picked up by a company that can distribute them directly to DVD, with subsequent cable TV and digital deals. Going straight to distribution through Netflix, with little or no marketing support, also can be lucrative if done right.

Moviemakers also are tapping social media every way they can. *Dear White People* received its first initial round of funding when writer/director Justin Simien created a short promotional video and posted it on the crowdfunding site Indiegogo. The video went viral and Simien raised \$41,405 from 1,318 funders.

He also has amassed what is thus far a fan base of 6,000-plus Facebook and 9,510 Twitter followers who will help get the word out in their communities when the movie shows in their local theaters, Brown says.

For most, doing such movies is a passion project that includes hopes of eventually making a nice profit, Brown says. But realistically, "it's not about making money to be rich, it's to make your car payment and pay your rent." —D.K.



From top: Colandrea Conners (Teyona Parris) and Sophia Fletcher (Brittany Curran) in a scene from the movie *Dear White People*; screenwriter and director Justin Simien; and producer Effie Brown.

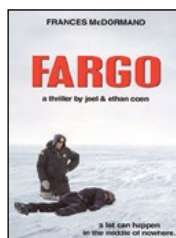
The best deals to be done for the producers are during the frenzied hype of a festival, not after the film received good reviews and is now "sitting on the shelf," according to industry insiders.

any hope of being distributed.

Most festivals, however, really only offer a chance to show the work and, ideally, find support and recognition among peers. "There are not a lot of them where business actually gets done. There are only a few grande dame festivals, and Sundance is one of them," says

regard with a lot of the distributors," says Chris Ohlson about *Kumiko*, which he co-produced. He estimates at least a dozen buyers were at the movie's first showing, "from larger specialty studios to smaller video-on-demand and streaming buyers."

Being approached is one thing; whether a good deal can be struc-



/ *Mallrats*, 1995 / *Beautiful Girls*, 1996 / *Fargo*, 1996 / *Jingle All the Way*, 1996 / *A Simple Plan*, 1998 / *Major League: Back to the Minors*, 1998 / *Drop Dead Gorgeous*, 1999

From Good to Great

Infusing \$10 million into Minnesota's program to provide rebates for films produced in Minnesota is considered one of five essential conditions if Minnesota is to become a leading destination for film production.

Like Austin, Texas, the Twin Cities offers dependable crews for film projects. The majority of a film's production jobs can be filled locally, allowing the producer to save money on housing, transportation and per diems.

Similar to Seattle, the Twin Cities is well known for a strong sense of community and collaboration within the filmmaking industry, which helps producers and directors more easily find the resources needed when making their films.

Another must-have: as few hoops as possible to jump through for permits and permissions to shoot in certain locations. In 2012, the Minneapolis City Council passed regulations allowing video and audio production in all commercial districts, rather than first seeking conditional city approval. Other places of filmmaking interest typically waive permit fees and make their locations available for free or at cost. This ease of access was an especially attractive factor for the producers of *Dear White People*.

Meanwhile, the state's film board, Minnesota Film and TV, offers itself a one-stop shop for a production's logistical needs, ranging from lining up scouting resources for locations and talent through checking whether permits are needed for certain locations.

Here are the remaining steps that need to be taken, based on other states' successful strategies:



Consolidate at least some of the state's myriad film festivals into one major event that can draw film distributors and other film buyers.



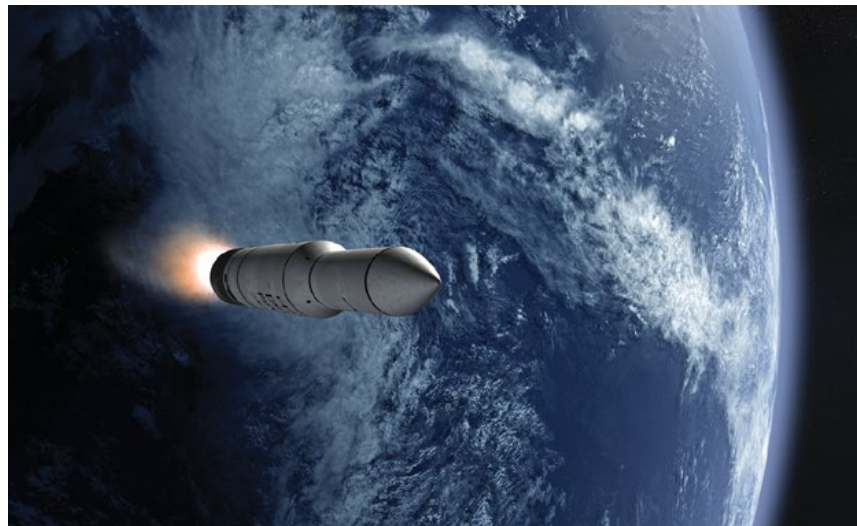
Establish a four-year degree-granting school of cinema production to develop the filmmakers of tomorrow.



Develop a significant soundstage and film studio, complete with post-production and office facilities.



Enact new or modify existing legislation to provide a longer-term commitment to fund incentive programs at or above current levels.



A scene from Minneapolis-based Melrae Pictures' recent film *Space Junk 3D*.

continued from page 40

than 50 science museums and similar institutions worldwide.

Butts is a huge fan of Snowbate. It does more than fund a movie, she says. "You're building skill sets and keeping jobs, and people, employed in Minnesota."

Northern exposure

While the Twin Cities has the talent, most movies scouting the state in the past year have done so three or four hours north of Minneapolis.

The Minnesota Iron Range Resources and Rehabilitation Board (IRRRB) is offering a Film Production Incentive Grant that will reimburse up to 20 percent of a film's costs if 60 percent or more of it is produced on the Iron Range.

This reimbursement can be in addition to Snowbate's 25 percent rebate, so that a filmmaker could potentially receive up to a 45 percent reimbursement for shooting in northern Minnesota.

The IRRRB provided \$800,000 for the program in late 2012; as of today, \$200,000 remains available. Five movies are in development with plans to receive reimbursements, and the region has seen at least a tenfold increase in the number of movie scouting trips since the grant program was announced in December 2012, according to IRRRB commissioner Tony Sertich.

What happens when the fund runs

dry? "If there's a need in the future, we'd certainly love to readdress it and put more resources into the fund," he says. "We've seen the direct economic benefit that has happened from having movie productions up here."

The first of the five films in line for IRRRB reimbursement expected to begin filming this year are *Sdanka's War* and *Thanksgiving at Denny's*. The Thanksgiving movie is expected to be produced by Jerry Seppala, a Minnesota political fundraiser who has served on the Minnesota Film and TV board and worked as a consultant for the organization in the early 1990s. In late 2012 he announced plans to produce up to 12 movies in Minnesota within five years to help bring back the film industry through his newly formed Griffin Productions. With family roots in the area, he has a particular passion for the Iron Range.

Since the IRRRB created its rebate program in late 2012, "29 projects have scouted up there; five of them have been mine," he says. "But the one thing missing has been an infrastructure piece—not only a place for a soundstage, green screen and post-production work, but also [facilities] to house equipment and possibly include a [film] school."

One plus: The region is served by a decent airport. "It's a great airport in Hibbing with enough runway space to land a 747," Seppala says. "So when I'm looking at logistics and moving people around, especially bigger-name actors, we have the ability to do so easily."

Seppala has set out to develop a filmmaking



2000-2009 *Sugar and Spice*, 2001 / *Joe Somebody*, 2001 / *Herman, USA*, 2001 / *Factotum*, 2004 / *Sweet Land*, 2005 / *North Country*, 2005 / *A Prairie Home Companion*, 2006 / *A Serious Man*, 2009



Crews for the upcoming film *The Public Domain* shot scenes on the Third Avenue Bridge in Minneapolis in late March.

DREWFIRSTBORN IMAGES



A scene from *Space Junk 3D*.

studio and soundstage on the Iron Range, to be called Ironbound Studios. The plan is to open a facility with more than 30,000 square feet of studio space with a ceiling height of at least 25 feet, and more than 30,000 square feet of office space, he says. At press time, he was still negotiating terms on the building he hopes to pick up for the project and would not disclose its location. His hope is to open the facility by June 30.

If it opens on schedule, he adds, four movies with budgets totaling \$30 million have plans to produce them on the Iron Range.

with that film pushed this one back, and given it's a seasonal story, we need to film it in the early spring or late fall," he says.

Delays are par for the course in this industry, however. And Seppala has a track record of delivering on fundraising goals.

Film school

As Seppala and others in the industry know only too well, there's a business discipline—as well as art—to making films that produce a return on investment. To further elevate Minnesota as a place for

high-quality, affordable filmmaking, a school of cinema production is being advanced by a consortium of independent media industry professionals, educators, elected officials and nonprofit leaders. They include state Sen. Dick Cohen, Bill Pohlad, Fredrikson & Byron's John Stout and representatives from five Twin Cities colleges and universities.

The Pohlad Family Foundation funded a study on this subject by master's degree students at the Humphrey School of Public Affairs at the University of Minnesota. Their August 2013 report concludes "as illustrated by Austin, Texas, and Chicago, a top-level film school attracts a certain level of film and television industry in and around the metropolitan area. ... While creating incentives for filmmaking are helpful, a comprehensive four-year film school is essential to driving the industry forward."

That said, the goal is not to create a school that simply tries to replicate what the top schools are already doing; it's to do it better, according to Dan Satorius, an entertainment, IP and business law attorney, who is also the president of the Minnesota Film and TV Board, and chair of the consortium.

"What we're working on is different in a number of ways. USC, UCLA, NYU and the others are excellent schools. [But] to a large

extent, they're backwards when looking at things from a technology standpoint," Satorius says. "They have faculty that have developed great programs around older models, which are still valid. We want to develop programs so that graduates are successful in the new media of this century, so as things continue to evolve rapidly, they're in the position to train and function in that environment."

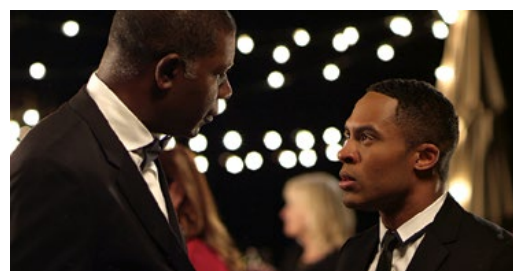
The second difference: "We want our graduates to be entrepreneurs—to understand how to finance, distribute and market a movie as well as understanding storytelling, technology and production skills," he says.

Backers are considering creating an endowment for the school, but Satorius and others hope to move it forward even if such funding is not available. And again, plans related to the moviemaking industry can often take longer than hoped.

"We've been working on this for two years," Satorius says. "It won't happen this fall. Ideally we would have something going the following fall."

With this and other quickly evolving developments, Minnesota filmmaking fans will have to stay tuned. **TCB**

Dale Kurschner is editor in chief of Twin Cities Business.



Troy Fairbanks (Brandon Bell), right, talks with his father, dean of Winchester University (Dennis Haysbert) in *Dear White People*.

/ Into Temptation, 2009 2010 to 2014 Young Adult, 2011 / Thin Ice, 2011 / Memorial Day, 2011 / Death to Prom, 2013 / Dear White People, 2013 / Kumiko, the Treasure Hunter, 2013

Rethinking

THE SPORTS BAR

They're dark, chaotic and loud.
Buffalo Wild Wings tries to hit the reset button
to become a restaurant that happens
to be a sports bar.

BY JACK GORDON

This year, Minneapolis-based sports-bar chain Buffalo Wild Wings begins a companywide rollout of a next-generation design, in development since 2011, for its new and remodeled restaurants.

The growing chain, with \$1.27 billion in 2013 revenue, opened its thousandth North American location in January. The new design, called “stadia,” was used in 13 new-store openings last year. In 2014, all but two of 46 planned openings will follow the stadia template (the pair of outliers were too far into the permitting process with local authorities to change course), explains BWW’s director of store design Bill Ferris.

Ferris also expects many elements of the new design to appear in 20 to 25 remodels of corporate-owned stores this year, and about 40 franchised locations. Two Twin Cities remodels, one in Oakdale, the other on Snelling Avenue in St. Paul, have incorporated the new template, although special constraints would not allow the full stadia treatment. A new store with a more complete stadia design is scheduled to open in late spring at Edina’s Southdale Mall.

(Citing competitive reasons, the company will not reveal build-out costs associated with the old and new design, but henceforth, all new stores, whether corporate-owned or franchised, must adopt the stadia concept.)

Ferris says that no precipitating event or business trend sparked the move to a radical redesign. It simply arose from an ongoing desire to “keep our restaurant appearance fresh,” he says.

Once BWW got into the process, however, one thought led to

another. The final new design differs from typical sports bars in some potentially groundbreaking ways. Interior furnishings use lighter colors. Windows above the bar area admit natural light. The acoustics, the audiovisual system and placement of TV screens are designed to make conversations at a normal volume possible at the tables in the dining area, even if there is considerable noise and excitement around the bar.

CAN ONE SPACE FIT ALL?

One look at BWW’s redesigned central horseshoe-shaped bar, with its enormous video screens, makes the stadia label easy to understand. But, in fact, two seemingly contradictory priorities led BWW to pursue a design that would work well for different types of customers, even without major sporting events that attract crowds of hard-core fans.

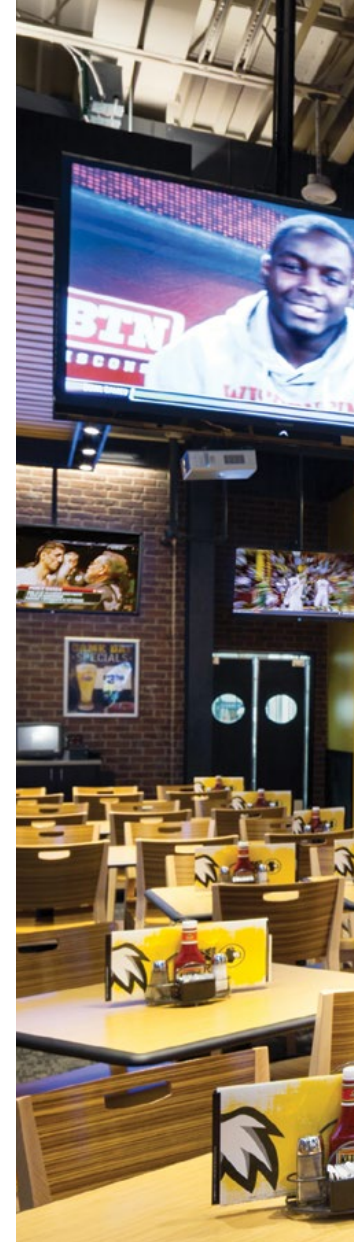
Make no mistake—sports remain central to the marketing strategy, Ferris says, and BWW’s top priority was to “capture the energy” that sports fans have at a stadium event. “We didn’t set out to replicate a stadium experience,” he explains, “but if you can’t go to the stadium, you should be able to go to Buffalo Wild Wings and get similar energy.”

That suggests ramping up the intensity. The stadia design does exactly that—in the bar area. But a second priority was to calm, quiet and humanize the restaurant section. That goal was driven by the changing demographics of BWW’s customer base and the chain’s desire to be perceived as more than just a sports bar.

“We have seen an increase in family business,” Ferris says, “especially parents coming in with kids who are into sports—Little League and those kinds of things. . . . That’s a growth segment for us. And parents don’t want to feel that they’re taking their kids to a bar.”

Traditionally, sports bars (think Sencer’s) have been windowless, darkly furnished and dimly lit, in part because big-screen projection televisions don’t show up well in daylight or normal interior lighting. “Bill [Ferris] and I went to a [Twin Cities] sports bar that was quite dark,” recalls Christian Davies, executive creative director-Americas for Fitch, the global architectural firm, with U.S. headquarters in Columbus, Ohio, which was hired to create BWW’s new design. “I said, ‘I’d never bring my kids here.’ After that we talked a lot about ambiance and what we wanted the space to feel like.”

“Traditionally, sports bars have been windowless, darkly furnished and dimly lit, in part because big-screen projection televisions didn’t show up well in daylight or normal interior lighting.”



3

Buffalo Wild Wings
in the metro area with new
design template.



The issue became how to create a space that would serve as a great place to drink beer and watch sports in a highly social and energetic atmosphere, while providing a comfortable environment for families and kids. For that matter, how about an environment that would attract chicken-wing fanciers even if they were indifferent to the games that might be showing on the television sets?

The challenge boiled down to one of flexibility, Davies says. Spaces within the stores had to be “zoned” to account for three sorts of differences. One he calls “dayparting,” referring to questions such as “How is lunchtime different from dinnertime, and how does the post-dinner experience change?”

He calls the second difference “game-on vs. game-off.” The venue doesn’t just have to appeal to fans during big games; it needs to attract customers 365 days a year. Finally, there are different kinds of guests: “How can you design for families without putting off the hard-core loyalist sports fans?”

LIGHT AT THE END OF THE TUNNEL

Joseph Dungca, an audiovisual consultant for BWB, says that technological advances now make it feasible to replace most projection-screen setups with flat-screen LED TVs up to about 80 inches. That is what really allowed BWB to rethink the concept of light.

And while they were at it, why not rethink acoustics so that customers in the restaurant area could actually hear each other speak over the echoing music or the television noise?

Ferris, Dungca and Davies are reluctant to criticize other sports bars too harshly; Steven Orfield, president of Orfield Laboratories of Minneapolis, has no such qualms. Orfield Labs is a firm specializing in experience-centered research and design. Basically, “that means we pay attention to human perception,” he says. He served as a consultant and researcher on the BWB design project.

What is wrong with the typical sports bar? Easy, Orfield says: It looks and feels like a dark warehouse with TV sets hanging at random off

Three Buffalo Wild Wings stores in the Twin Cities feature many elements of the new design.

- 80 Snelling Ave. N., St. Paul
- 8346 Third St. N., Oakdale
- Southdale Mall, Edina (opening spring)

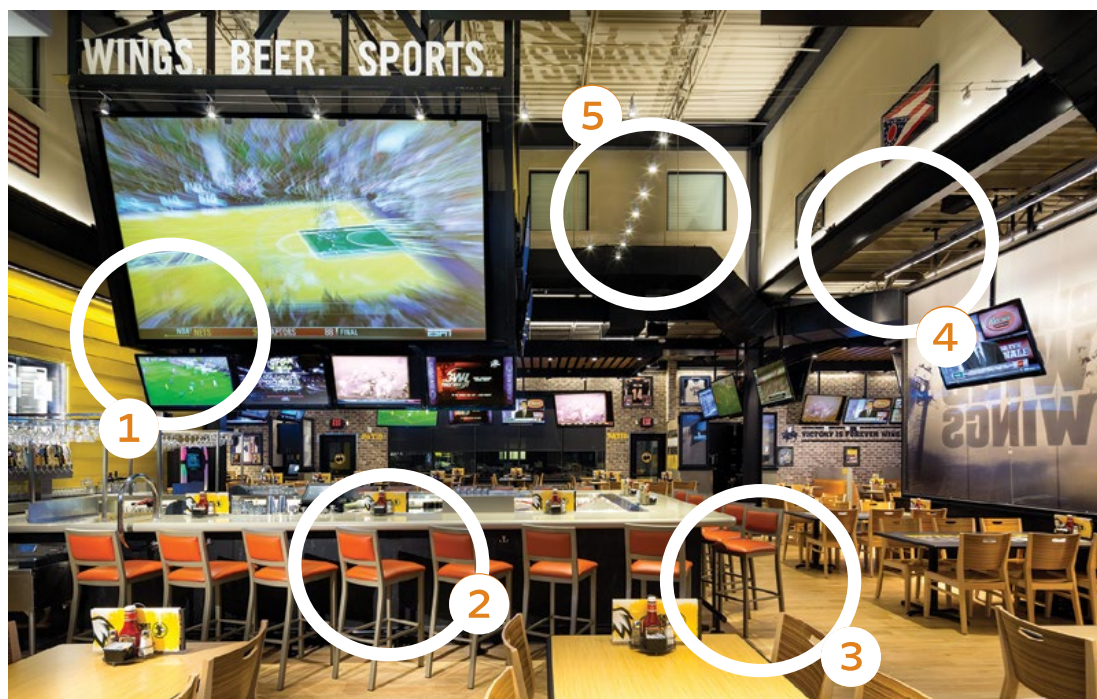


MOST BUFFALO WILD WINGS STORES ARE FRANCHISED. HERE'S WHAT'S REQUIRED TO BECOME ONE:

- 750K LIQUID ASSETS PER STORE** ● **5% EQUITY PER STORE** ● **2-RESTAURANT MINIMUM PER FRANCHISEE** ● **80% LEVERAGE MAXIMUM** ● **25K MINIMUM DAILY AUTO TRAFFIC AT STORE** ● **8.5% OF ANNUAL SALES DUE TO CORPORATE IN ROYALTY AND ADVERTISING FEES**

INSIDE BUFFALO WILD WINGS' "STADIA" DESIGN TEMPLATE

1} SCREENS LED technology allows removal of projection TVs, which are not compatible with high levels of natural light.



5} LIGHTING Skylights let in natural light and overall light levels increase in stadia-design stores. Both sports viewers and other customers preferred the effect, the company says.

4} ACOUSTICS Acoustical material hung from the roof reduces reverberation, allowing more audible conversation, even with game sound from TVs.

3} COLOR Furnishings and wall colors/materials are lighter, resulting in a space that appeals to a broader variety of customers.

2} BAR The remodeled stores feature bar areas more segregated from dining areas, allowing BWW to offer a variety of ambiances at different times of day.

“What is wrong with the typical sports bar? Orfield says it looks and feels like a dark warehouse, with TV sets hanging at random off the walls and ceilings. The audiovisual system is designed with so little thought or skill that there is no table in the place where you can carry on a normal human conversation.”

the walls and ceilings. The audiovisual system is designed with so little thought or skill that there is no table in the place where you can carry on a normal human conversation. Even if the food is good, the only people who want to go there are sports fans—and even they have no desire to be there unless a game of particular interest is on. If a sports fan manages to drag some middle-aged parents or a spouse or a friend to the joint, the guests likely will never return.

It isn't hard to hang up a giant screen and attract a crowd for a Vikings game, Orfield says. But if that's where your design awareness stops, “you'll alienate a far larger market than you will attract.” If you want customers to show up when the big game isn't on, he says, “the trick is to design a restaurant that happens to be a sports bar, not vice versa.”

BWW's stadia design pays very close attention to light and noise. Ferris credits Orfield with research demonstrating that interior colors should be much lighter. “It goes against intuitive thinking: You'd think a darker environment would allow the TV screens to pop,” Ferris says. But an analysis found that a lighter background is easier and more pleasant for customers because their eyes don't have to adjust as much as when they look from a dark background to a bright screen.

As for sound, in BWW's legacy stores, Ferris says, “everything is open, and we got a lot of reverberation in the space. In the new design, we hung acoustical material from the roof structure that cuts down reverb.”

Now, instead of sounds merging into “acoustical mud,” people can have conversations and also hear the game without the sounds blending. “It's a much more pleasant environment acoustically,” he notes.

It's hard not to interpret many of the changes as a play to female customers, who make most household dining decisions and typically deliver the veto in a sports bar debate, but Ferris says not so: “Our goal was to enhance the Buffalo Wild Wings experience for all of our guests. . . . We weren't specifically targeting women.”

Franchisees, who own about 56 percent of all Buffalo Wild Wings stores, have almost unanimously embraced the new design, Ferris says. (Nonetheless, the company would not allow a franchisee to be interviewed by *TCB*.) The company surely hopes so, as franchisees have to bet their own money on it. Like corporate stores, “our franchisees are obligated to remodel on a periodic basis,” he says. “They are not required to go back and remodel stores to the stadia design, but when they do remodel, they must meet the design standards for stadia.”

Initial research has found customers to be “very positive” about the new design, Ferris says.

Orfield sees the whole project as a bright exception that proves a gloomy rule about design: “Nobody pays attention to human perception,” he complains. “And science is almost never done in architecture.” **TCB**

Jack Gordon is a Twin Cities freelance writer.

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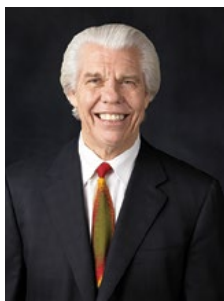


Global Players

This year's International Citizen award-winners are helping build bridges between communities, at home and abroad.

By Phil Bolsta

International Corporate Award Starkey Hearing Technologies



Inspired by Albert Schweitzer's work in Africa, 18-year-old Bill Austin decided to become a missionary doctor. Leaving his family in Oregon, he enrolled at the University of Minnesota Medical School in 1960. To earn tuition money, he worked as an ear-mold technician at his uncle's downtown Minneapolis hearing aid company. "As I was doing that work, I thought about how hearing aids could be manufactured more efficiently so people might hear better," Austin recalls. "And I kept saying to myself, 'Don't think about those things; you're going to be a doctor.'"

One day he was called in to help fit an elderly man with a hearing aid and was deeply moved by the man's joyous reaction. That night, Austin lay on a single bed in his rented room at 2770 Dean Boulevard

in Minneapolis and stared at the ceiling. "I said to myself out loud, 'Bill, the reason you want to be a doctor is so you can help people. If you do this work, you'll be able to help people and you won't kill anyone; as a doctor, you're sure to kill many.'"

Realizing that a business employing teams of people could accomplish more than even the best-intentioned of doctors, Austin abandoned his medical plans. "I changed the course of my life instantly from that one looking-at-the-ceiling conversation with myself," he says. "I saw the opportunity to be a greater

were introduced to the market.

Five years later, that charitable corporate policy was expanded into the international market, and the world hasn't been the same. Last year alone, the Starkey Hearing Foundation gave away 165,000 hearing aids to people in need, more than 90 percent of whom lived outside the United States.

Walter J. Duffy Jr., former city attorney and chief legal officer of the City of Minneapolis, and the founder of St. Louis Park-based Duffy Law Firm PLLC, nominated Starkey for the award. "Through the Starkey Hearing Foundation, the gift of hearing is

"We have a huge Starkey India team that tests hearing all year long. We give away as many as 40,000 hearing aids a year there."

gift by being part of a team that had a number of hands and a number of hearts that could impact the world."

In 1970, Austin paid \$13,000 for Starkey Laboratories, a three-person firm in Maple Plain, and merged it with the hearing aid repair business he had started in the basement of his Hopkins home. Seventeen months later, Starkey's custom in-the-ear hearing aids

were introduced to the market. "Just imagine the joy of a child who experiences this life-changing event. This is humanitarianism of the highest order."

At 72, Austin remains CEO and sole owner of Starkey Hearing Technologies, now one of the largest hearing aid manufacturers in the world. Starkey sells more than 1.1 million hearing aids

International Immigrant Achievement Award Dr. Bruce Corrie



Dr. Bruce Corrie refers to it simply as "the idea." As chair of the Governor's Working Group on Minority Business Development, Corrie first presented it in a report in 2000, and it has served as the polestar of his professional life ever since.

"What if the mainstream perception of minorities and immigrants shifted from the deficit mode to the asset mode?" asks Corrie, who immigrated to the United States from India in 1982 to pursue a doctorate in economics at Notre Dame. "That change

of perception would change everything."

After 25 years on Concordia University's faculty, the last 12 as dean of the school's College of Business and Organizational Leadership, Corrie was appointed associate vice president for university relations and international programs in 2013. His current role allows him to focus on researching and championing the contributions of the ALANA (African, Latino, Asian, native American) communities locally and nationally. Corrie is the cofounder of OneMN.org, a multiethnic, nonpartisan coalition that advocates for issues on behalf of ALANA communities and individuals in Minnesota.

Corrie was nominated by Hyon Kim, owner of MN Best Enterprises Inc., a Minneapolis-based technical consulting firm. "Dr. Corrie is an exemplary candidate for this award, an immigrant who has not only found personal success, but has worked

a year, employs 3,600 people, operates 21 facilities and conducts business in more than 100 markets worldwide.

Austin himself leads numerous overseas missions for 10 months out of the year, only returning to Minnesota for a few days or weeks at a time.

In most of the countries served, a team of locals is put on the payroll to handle after-care issues. "We have a huge Starkey India team that tests hearing all year long," Austin says. "They provide speech therapists for local schools and provide follow-up care with audiologists on our team. We go to India twice a year and give away as many as 40,000 hearing aids a year there."

Starkey Hearing Foundation teams return every year to most of the 100-plus countries they've visited except those that are too dangerous. "We had 8,000 people ready and waiting in Egypt when the Arab Spring hit; Mubarak himself was in line to get a hear-

ing aid and wanted me to take care of him when I was there," Austin says. "We were told to wait because the military couldn't guarantee us security."

Recognizing that the Egyptian uprising would elevate tensions in the Middle East, Austin felt the need to do something to try to calm the situation. His solution? Adding Israelis, including the son-in-law of Israeli President Shimon Peres, to the Starkey team going to Palestine. "The first day, the people who were sent to guard us had their guns in their hands at all times," Austin says. "By the second day, the guns were on their backs and they were helping us with hearing aids. They told their superiors what was going on and the generals came down. They met their counterparts from the Israeli side and became friends."

Austin marvels at what happened. "Shimon Peres told me we had done more than I could imagine to create understanding."



ceaselessly to advocate for the success of all immigrant and ethnic communities,” Kim says.

Corrie is determined to reframe the immigration debate by urging legislators, policy makers and ordinary citizens to look beyond the fiscal costs typically associated with immigrants and minorities. “To people who say that immigrants are taking

ALANA communities in a comprehensive, holistic way. The first of three pillars supporting Corrie’s framework of viewing immigrants and minorities as assets instead of problems is the role of cultural capital. “Members of these communities add to the culture of the state by enriching the lives of Minnesotans through art, food, music and ambience,” he explains,

“Corrie and his colleagues are championing a ‘blue ocean strategy’ around ethnic cultural heritage as a destination point.”

people’s jobs and costing the state for services, I say, ‘Fine, let’s say your numbers are valid, but have you documented the benefits in other areas to determine the net cost and the net benefits?’” he says. “If we keep a balanced, open-minded approach, the state as a whole can come out ahead with the right policies and programs.”

Corrie’s concept of “ethnic capital” (ethnicalcapital.com) presents a new paradigm for viewing

adding with a smile, “Maybe the new hot dish of Minnesota could be chicken curry and rice.”

The second pillar is global trade networks; the third pillar is civil and political engagement. Corrie suggests that the turnout of ethnic groups in certain precincts may have tipped the 2010 gubernatorial election in favor of Mark Dayton, who won by less than 9,000 votes. Corrie points to the political activism in Somali, Hmong and Latino communities.

Corrie and his colleagues are championing a “blue ocean strategy” around ethnic cultural heritage as a destination point. In St. Paul, this strategy has found expression in the World Cultural Heritage District along University Avenue’s light-rail Central Corridor. “This will offer visitors a rich cultural experience and build up the economic base of the ethnic communities,” Corrie says.

While Corrie’s data are well known in ALANA communities and in the media, he acknowledges the challenges in communicating “the idea” and achieving lasting cultural change.

“I think of this award as celebrating the message of possibilities that immigrants and minorities bring to Minnesota,” says Corrie, who has developed an app for Google Play and iTunes that presents an interactive map of every state with data on immigrant capital.

“That concept has still not permeated the mainstream consciousness and policy infrastructure of the state. We need that to happen, and then you’ll see possibilities opening up.”

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request after another from clients who wanted him to plan their trips, he recognized an opportunity to combine business with a lifelong love of travel and global adventure. In 1986, Bergh bought a travel company and became the major shareholder in Serengeti Select Safaris and Tarangire Safari Lodge in Tanzania. After cashing out of both in 2005 due to disagreements with his partners, he purchased Norway’s Trollstigen Resort in 2008. Today, Borton Overseas’ three-pronged focus is Scandinavia, east and southern Africa, and small-ship cruises. “We have terrific teams at both Borton Automotive and Borton Overseas, and I do not spend much time on operational detail,” he says. “I focus instead on long-term strategy and overview.”

Bergh’s love affair with Tanzania was kindled 40 years ago when the Swedish ambassador to Tanzania invited Bergh and his

nesota to dealing with visa issues to assisting seriously ill citizens of Tanzania living here to directing foreign investment in Tanzania.

Bergh is active in civic and charitable organizations in each of his “three home countries”—the United States, Norway and Tanzania.

Bergh was nominated by James Thomas, CEO of Bloomington-based insurance brokerage Life Group America LLC. “Kjell has dedicated himself to advancing democracy and economic development in Tanzania and South Africa for many years,” Thomas notes. “He has encouraged travel to developing nations and built strong relations in Europe and Africa that are beneficial to Minnesota business and institutions of higher learning.”

Bergh earned a master of arts in international relations from Tufts University in 2004. Nine years earlier, he earned some real-world diplomatic credits when he initiated and led a delegation to Japan as chairman of the American International Automobile Dealers Association. He was instrumental in resolving a significant trade dispute.

After 47 years at Borton, Bergh sees the pros and cons of spending his career with one company. “The strength is that you develop a deep understanding of the company,” he says. “The disadvantage is that you haven’t seen how other companies do things, so you are committed to a trial-and-error learning curve.” **TCB**

Phil Bolsta is a longtime contributor to Twin Cities Business.

International Citizen Award Kjell Bergh



Fresh out of high school in Norway, Kjell Bergh spent 13 months traveling across the United States, taking odd jobs and writing freelance articles on automotive subjects for Norwegian publications. After returning to his home country and spending a semester at the University of Oslo, he returned to the United States for the summer. On his way to Seattle, he stopped in Min-

neapolis to visit his brother. He never left.

Looking for temporary work, Bergh ended up at Borton Volvo. Three years later, he was general manager; two years after that, he was sole owner. “Oscar Borton, the owner, was the son of a Norwegian immigrant who started the dealership,” says Bergh, who changed the company name to Borton Automotive Inc. years later for trademark reasons. “He financed the bulk of the purchase price, and I paid it off through earnings.”

Thanks to Bergh’s heritage and his position at Borton, he found himself on the planning committee when Norway’s King Olav visited Minnesota in 1968. He has provided automobiles, and occasionally planes, for visiting members of the Norwegian and Swedish governments and royal families ever since.

Over the years, Bergh, 68, built and operated four Volvo franchises and one each for Pontiac, Saab and Volkswagen. After selling dealerships in Rochester, Minn.,

“Berg’s love affair with Tanzania was kindled 40 years ago when the Swedish ambassador to Tanzania invited him to spend two weeks at the embassy residence.”

and Delray Beach, Fla., only the franchises in South Minneapolis and Golden Valley remain, the latter of which also sells the Fisker Karma, a hybrid-electric luxury sedan. For most of the past 40 years, he has been the largest U.S. dealer of new Volvos to Americans traveling in Europe.

Bergh’s entrepreneurial entrée into the travel business was unintended. As he fielded one

then-wife, a Tanzanian native, to spend two weeks at the embassy residence. A friendship with the Tanzanian ambassador to the United States, who later became the country’s first democratically elected president, led to Bergh’s appointment in 2000 as honorary consul of the Republic of Tanzania. His responsibilities range from hosting events for Tanzanian government officials visiting Min-



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Rising Cloud

The state’s fourth-largest metropolitan area is experiencing an economic renaissance.



When Brian Schoenborn says, “St. Cloud is on fire,” he knows whereof he speaks.

A business attorney in the St. Cloud office of Stinson Leonard Street LLP, Schoenborn has deep roots in the region. His forebears emigrated from Germany in 1854, and began farming in Schoenborn Settlement, which is now the town of Spring Hill, about 20 miles west of St. Cloud. Schoenborn was born and raised in St. Cloud, and except for three years at the University of Minnesota law school, he has lived there all of his life. Beginning about 10 years ago, Schoenborn sensed that his hometown was entering a new phase, with a new mindset.

“St. Cloud has always benefited from its central location, from its connection to the Mississippi River and that rural German work ethic” of many of the early white immigrants to settle in the area, “but it’s more than that now, much more than that,” Schoenborn says. “Communities are always about people. We’ve got great people that are working together to move the community forward.”



St. Cloud’s economy includes innovative companies such as Microbiologics (top left). The Stearns County Courthouse and River’s Edge Convention Center are big landmarks.

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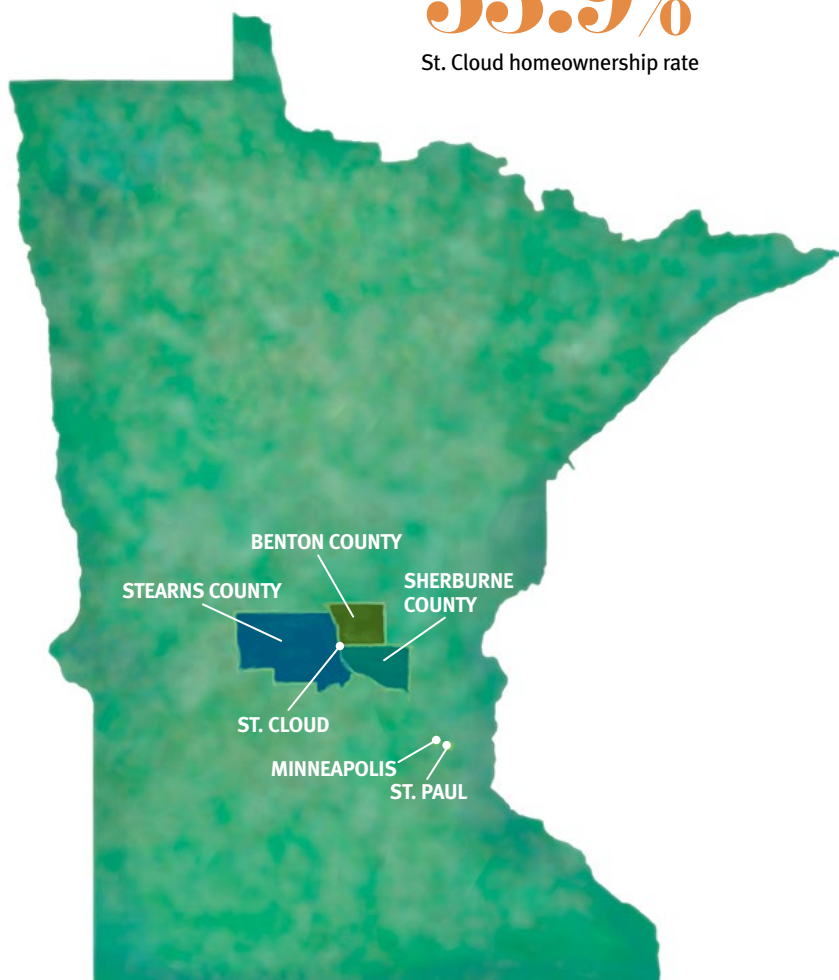
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St. Cloud homeownership rate



- 1) St. Cloud *pop.* 65,986
- 2) Sauk Rapids *pop.* 12,965
- 3) Sartell *pop.* 16,183
- 4) Waite Park *pop.* 6,680
- 5) St. Joseph *pop.* 6,646
- 6) Cold Spring *pop.* 4,027
- 7) St. Augusta *pop.* 3,431
- 8) Collegeville *pop.* 3,343

St. Cloud grew up along the Mississippi. St. Cloud State University is at lower left and the downtown district is upper right.



The newly-renovated Regency Plaza building is used for special events and houses Netgain, a growing health IT firm.

Another of those leaders is Brian Myres, a recently retired bank executive who's still active in business and community affairs. Myres notes that the area has historically been thought of as a crossroads in the state. But during the last decade, he says, "the greater St. Cloud region has really blossomed to become much more than just a crossroads. It is a growing economy that is really adding to the vibrancy of the state."

What is new about the region is that community leaders—particularly business leaders—have come together to create a new energy in the region that is translating into community initiatives, rejuvenation of older areas and a new pride in and appreciation of particular assets and virtues of the St. Cloud region. And it is a region-wide sensibility, not solely the attitude of the region's largest city.

A community unites

The St. Cloud region comprises Stearns and Benton counties, along with the northern half of Sherburne County. It has always been a solid, hardworking place. Anchored by St. Cloud, Minnesota's eighth-largest city, it grew along the Mississippi River and the surrounding lakes and became a center of regional commerce and agriculture.

St. Cloud still uses the nickname "the Granite City," and while the number of granite quarries in the region has decreased, companies like Coldspring (formerly Cold Spring Granite), Granite-Tops and Park Industries (see page 76) still are involved in the stone business. There's also Martin Marietta, a name once associated with the defense industry that is now a stone and aggregates company. It operates granite quarries in Waite Park, just north of St. Cloud.

The region is also a major center for colleges and universities, with around 35,000 students. St. Cloud State University is the largest regional institution, but the city and surrounding area also are home to St. John's University in Collegeville, and the College of St. Benedict in St. Joseph, as well as St. Cloud Technical and Community College.

The St. Cloud region, in short, has a strong economic and educational base. But in recent years, more of its leaders realized that it could do a far better job building on that base. What the St. Cloud area needed was a jolt of fresh energy.

Economic development agencies, most notably the St. Cloud Area Economic Development Partnership, as well as other groups, have been working on various projects. But "we were in a situation where [those organizations] weren't on the same page," says Dave Kleis, a former state senator and St. Cloud's mayor since 2005. "A lot of groups and entities were doing different things."

In other words, more collaboration was needed, and that cooperation had to include cities and towns outside of St. Cloud. "Businesses don't have borders," Kleis notes. "They're regional. And we want to make sure we tie in the assets of the region." He adds that "the city cannot prosper unless we're all moving in the same direction, as a region."

This understanding helped inspire the 2011 founding of the Greater St. Cloud Development Corporation (GSDC), from which a number of initiatives have originated. (See "All In," page 54.) The GSDC, a private-sector-driven organization, is one of the chief engines of the positive new

CONTINUED ON PAGE 58



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Greater St. Cloud Development Corporation

“We’re not reliant on any one or two industries. That makes us more stable. The region has great transportation infrastructure—highway, rail, air service.”

—GSDC President Patti Gartland

Founded in April 2011 by a group of regional business and community leaders, the Greater St. Cloud Development Corporation (GSDC) embraces an almost old-fashioned approach to forming a community-wide organization. It’s not just about attracting or retaining employers—the GSDC also seeks to help make the St. Cloud area an even better place for those businesses to grow.

The GSDC arose from the St. Cloud Area Economic Development Partnership, a government-dominated organization that had increasingly been focused more on public policy issues and less on business growth and community development.

“Over time, the business community had, some would say, abdicated giving back to the community by taking leadership roles in the community,” GSDC president Patti Gartland says. Fifty years ago, she adds, “the people who ran your communities, who built your communities, were the business leaders. Then over time, they became pretty focused on taking care of their own companies and became less engaged [in the community].” In the early part of the last decade, St. Cloud area businesses saw that in order for the region to better compete, they needed to join hands and get involved in building up their region.

Much of the business leaders’ inspiration came from seeing how Dubuque, Iowa, another Midwestern Mississippi River city of similar size and history, had emerged from economic doldrums in the late 1990s. (Evidence of Dubuque’s turnaround: In 2005, the city led the Midwest in job growth.) A trip to Dubuque in 2010 inspired St. Cloud-area business leaders to take a fresh approach to economic development.

The GSDC began with 65 members, or “investors,” from private industry throughout the region. It now has 120 investors. About 90 percent of those are regional businesses, though there also are representatives from local government and the nonprofit sector.

The GSDC’s membership has identified six initiatives for the GSDC to pursue:

- Business retention, expansion and attraction
- Re-establishing commercial air service at St. Cloud Regional Airport and advocating for other regional

GSDC staffers (from left) Leslie Dingmann, Patti Gartland, Bill Kemp and Sonja Gidlow.



transportation infrastructure

- Attracting, developing, retaining and expanding the talent pool in the region
- Developing and promoting corporate wellness programs
- A Downtown Corps for contributing to the planning and vibrancy of downtown St. Cloud
- An Innovation Corps for supporting new technologies, products and companies.

“Those are initiatives you don’t see coming out of a traditional economic development organization, particularly one that is public-sector driven and public-policy driven,” Gartland says.

Though it’s still a young organization, the GSDC already can point to some success stories. Perhaps the biggest is attracting commercial air service between St. Cloud Regional Airport and Chicago’s O’Hare International, which allows for easy air connection to practically any domestic or international destination.

When the GSDC began its efforts, St. Cloud Regional Airport had recently lost commercial air service, and had been used solely by private aircraft. In 2012, Allegiant Air began offering flights to Phoenix, adding direct flights to Orlando, Fla., the following year.

But the business community hungered for a Chicago connection. Its efforts, driven by the GSDC, bore fruit in early February, with the announcement that SkyWest Airlines would begin offering direct flights twice daily between St. Cloud and O’Hare, starting May 6. The 50-passenger flights, which will be flown by the regional carrier’s pilots as part of the United Airlines network, will be a

boon to business travelers in the St. Cloud region. “The business community made the case,” Gartland says. “Usually, a city [government] will go in pursuit of air services.”

One area businessperson looking forward to the O’Hare service is Brad Goskowicz, CEO of St. Cloud-based Microbiologics, which provides quality-control microorganisms used in product testing for pharmaceuticals, cosmetics, dietary supplements and numerous other industries. “We service 130 countries, and we had to drive down to Minneapolis and figure out from there how to get to wherever we wanted to get to,” he says. With the new service to O’Hare,

Goskowicz adds, “we’re linked to the rest of the world.”

The GSDC also has been working on the creation of a “talent portal” to connect employers with potential employees (see “Help Wanted,” page 56). Yet another GSDC initiative is regional wellness. The organization held its first Wellness Summit in February, bringing together health care experts and area business executives to discuss best practices for promoting wellness within their companies. The summit also offered information on the federal Affordable Care Act and how it

affects small and large businesses.

“Healthy, happy employees are more productive employees, and the contribution they can make to the workplace is so much better,” says Sonja Gidlow, the GSDC’s director of strategic initiatives and communication. That said, she adds, “It’s not entirely about productivity but also recognizing those folks go home to families, and the health of their families is just as important as their own health. You can’t think of one without the other.” ♦



Patti Gartland



Brad Goskowicz

St. Cloud Demographic Profile	
White	84.6 %
Black	7.8 %
Asian	3.7 %
Two or More Races	2.5 %
Hispanic Ethnicity	2.4 %
American Indian	0.7 %



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Help Wanted

Following a talent summit, a new strategy is helping attract people and businesses to the Greater St. Cloud region.

Though the St. Cloud region's colleges and universities provide plenty of talented employees, area employers have been on the lookout for more, particularly with the region's unemployment rate dropping. To help connect businesses with the talent they need to continue growing, the Greater St. Cloud Development Corporation (GSDC) has been developing an online talent portal to make those links.

Two years ago, the GSDC held a talent summit that assembled a wide variety of employers and employment experts. The summit inspired the creation of a regional talent portal, which has been under development and was expected to go live this spring.

GSDC president Patti Gartland describes the talent portal as "a one-stop, web-based shop for anyone who is looking for a job, looking to hire—and not just jobs, but internships, externships and mentorships" in the St. Cloud region. The GSDC's talent portal and related initiatives are designed not only to attract and retain talent, they also are being designed to attract people and businesses to the region.

In time, the portal will also incorporate information for those potential newcomers. Topics will include information on amenities, arts and culture, education and professional development opportunities. ♦

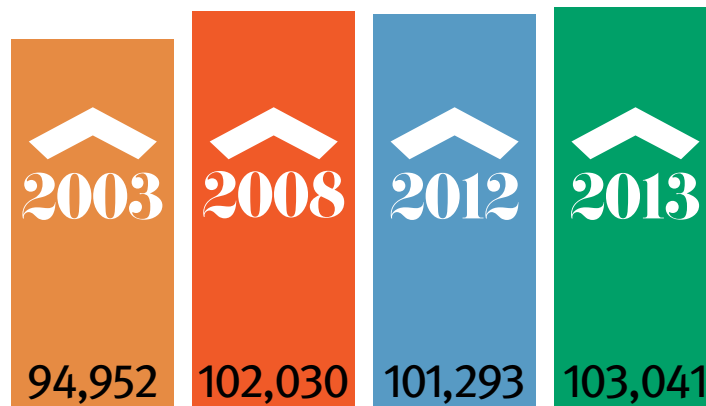


The Greater St. Cloud Development Corporation is rolling out a new online tool to help connect potential employers and employees.

STEADY JOB GROWTH OVER A DECADE

The job base in the St. Cloud Metropolitan Statistical Area has grown 8.5 percent between 2003 and 2013. Total nonfarm employment reached 103,041 jobs last year.

SOURCE: MINNESOTA DEPARTMENT OF EMPLOYMENT AND ECONOMIC DEVELOPMENT



ST. CLOUD'S DIVERSIFIED JOB BASE

In its role as a regional center for central Minnesota, the St. Cloud area supports tens of thousands of jobs in health care, education and retail. It also is home to a major cluster of manufacturing companies. The following statistics break out job totals for nonfarm employment in the St. Cloud Metropolitan Statistical Area. ♦

SOURCE: MINNESOTA DEPARTMENT OF EMPLOYMENT AND ECONOMIC DEVELOPMENT

Category	Number of employees
Mining, Logging, Construction	4,182
Manufacturing	14,562
Wholesale Trade	4,106
Retail Trade	13,206
Transportation/Warehousing	3,402
Information	1,654
Financial Activities	4,482
Professional/Business Services	8,576
Education/Health	19,722
Leisure/Hospitality	8,951
Other Services (private only)	3,468
Federal Government	2,145
State Government	4,680
Local Government	8,610
TOTAL	101,746

TOP ST. CLOUD AREA EMPLOYERS

Employer	Sector	Employees
CentraCare Health System	Health Care	8,600
Coborn's Inc.	Grocery	2,658
Electrolux Home Products	Appliances	1,200
GNP	Poultry Processing	1,000
Coldspring	Granite Products	600
Wolters Kluwer Financial Services	Financial	600
New Flyer America	Manufacturing	600
Capital One 360	Financial	600
Knife River Corporation - North Central	Highway and Street Construction	570
Bluestem Brands/Fingerhut	Online Retail	570



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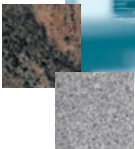
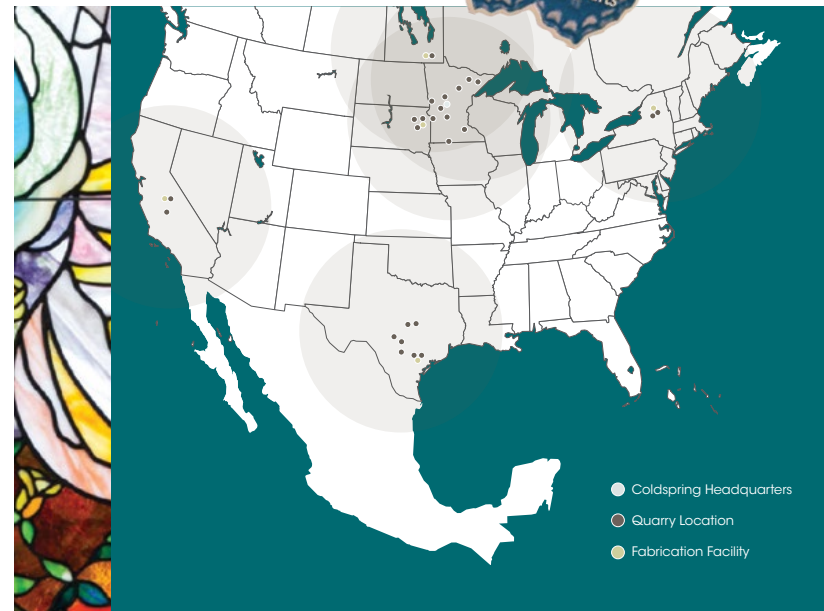
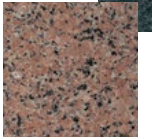


Photo Credit: Steve Maylone Photographer



Photo Credit: Paul Crosby Photography





The Paramount Theater downtown showcases the region's booming arts scene. Picturesque Fifth Avenue, center, and the Star of India restaurant, at right, reflect entertainment and food options.



6.8%

Foreign born population living in St. Cloud

St. Cloud offers many cuisine choices, including Thai specialties at Sawatdee.

CONTINUED FROM PAGE 52

attitude in St. Cloud and the surrounding counties. In one of its most notable successes: The GSDC helped lure new air service to St. Cloud Regional Airport, which had been lacking commercial service for a few years.

Another sign of fresh energy in the region is the revitalization of downtown St. Cloud. Cities throughout the Midwest have recognized the importance of a vibrant downtown. While downtowns might not be the retail centers they once were, central business districts remain a key draw in any city.

In St. Cloud, downtown improvements have been focused primarily on Fifth Avenue, bounded by the convention center on the north and St. Cloud State University on the south. Several local organizations, along with the Minnesota Department of Employment and Economic Development, are driving an initiative called Fifth Avenue Live, the redevelopment of a five-block area of Fifth connecting St. Cloud State University with the central business district. (For more on St. Cloud State's participation in this rejuvenation, see "Meet the President," page 62.)

Also on Fifth, St. Cloud recently expanded the River's Edge Convention Center, a centrally located facility for events from all over the state. The convention center faces the Mississippi River, which runs through downtown.

"Decades ago, a lot of communities turned their backs on the river," Kleis notes. The Mississippi was heavily polluted, and was considered more of a working river than a natural amenity and attraction. But cities up and down the big river have cleaned up their riversides, building trails and parks, and St. Cloud has been doing likewise. The city now has plans for a riverside trail that will wend its way through downtown. When it comes to the Mississippi, Kleis says, "we've recognized and are embracing that asset."

Another liquid asset the city has embraced is Lake George, a few blocks west of downtown. A few years back, Lake George

became the setting for Summertime by George, a series of free concerts on Wednesday evenings during the summer months that attracts an audience of 10,000 each week. Summertime by George is sponsored by the St. Cloud Rotary Club, which contributed \$1.5 million to renovate the park surrounding the lake.

Summertime by George has added tremendously to the appeal of downtown St. Cloud, but it's just one element of the arts boom in the region. That boom is

"A lot of communities turned their backs on the river. We've recognized [the Mississippi] and are embracing that asset."

—St. Cloud Mayor Dave Kleis

reflected more fully in Around the Cloud, a central online source of information on concerts, museum exhibitions, classes and workshops, and other cultural events in and around St. Cloud.

Around the Cloud arose from the collaboration of several organizations, including area nonprofits. The largest of these nonprofit entities is the Central Minnesota Community Foundation, which brings together philanthropic efforts from numerous individuals and families. The foundation now has more than \$100 million in assets and distributes more than \$5 million in grants per year.

"Our mission as an organization is to engage people, connect resources and build community," says Steve Joul, the foundation's president. "We do it through helping build long-term financial capital and resources for the community, and then building the social capital or interconnectedness of our community."

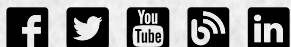
The Central Minnesota Community

CONTINUED ON PAGE 64

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A Healthy Industry

Health care is one of the region's strengths, and the sector is one of its biggest employers.



Terence Pladson



Andy Vinson

Health care is one of the biggest industries in the region. And the health systems there seek to provide services that allow residents to stay close to home, without having to see specialists in the Twin Cities or Rochester.

The largest is CentraCare Health, which also is the region's biggest employer. CentraCare has six hospitals in the region, with 17 clinics in 14 central Minnesota counties. It recently completed a \$225 million expansion of its central campus in St. Cloud. Terence Pladson, CentraCare's CEO and president, says that the system expects to generate \$1 billion in revenue this year.

Among CentraCare's assets is its partnership with the Mayo Clinic. (CentraCare's Coborn Cancer Center is part of Mayo's cancer care network.) The Mayo partnership, Pladson notes, "can provide patients with an electronic consult, or e-consult, which allows [CentraCare] physicians to connect with a specialist at the cancer center in Rochester and get a second opinion, with the patient never even having to leave the community." CentraCare also shares research programs with Mayo.

Bloomington-based HealthPartners also has a significant presence in the St. Cloud region. The health care provider began about 35 years ago as Central Minnesota Group Health. It began an affiliation with HealthPartners a couple of decades back, and became part of the system about 10 years ago. In addition to its central clinic in Sartell, HealthPartners has other offices in the region, including a HealthStation mini-clinic in the Sauk Rapids Coborn's supermarket. Andy Vinson, executive director for HealthPartners Central Minnesota, says that "we have 23,000 unique patients and are growing by about 2,200 to 2,500 unique new patients a year."

Both CentraCare and HealthPartners are members of the Greater St. Cloud Development Corporation. ♦



CentraCare recently completed a \$225 million expansion of its central campus in St. Cloud. The CentraCare system is expected to generate \$1 billion in revenue this year.



CentraCare's chief facility is St. Cloud Hospital, (above). Benedict Haeg (center) is a family practice physician in Sauk Centre and Robin Marushin (left) is an ob/gyn physician in St. Cloud.

ST. CLOUD AREA SERVES AS A MAJOR CENTER FOR EDUCATING HEALTH CARE PROFESSIONALS

Higher education institutions in the St. Cloud region offer numerous programs for health care providers. Here are some of the programs offered at nonprofit regional colleges and universities:

College of St. Benedict/ St. John's University

- Physical therapy
- Physician assistant
- Pre-medicine
- Nursing

College of St. Scholastica, St. Cloud Campus

- B.S. health information management
- Post-baccalaureate nursing
- B.S. nursing
- M.S. health information management
- M.S. health informatics
- Post-master's doctor of nursing practice

St. Cloud State University

- Biomedical science
- Community health
- Medical laboratory science
- Nuclear medicine technology
- nursing
- Pre-medicine

St. Cloud Technical and Community College

- Cardiovascular technology
- Certified nursing assistant (CNA)
- Emergency medical services
- Health data specialist
- Health information technology
- Nursing (registered)
- Nursing assistant
- Paramedicine
- Practical nursing
- Sonography
- Surgical technology



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Meet the President

Earl Potter, president of St. Cloud State University, is one of the leaders of the region's rejuvenation.



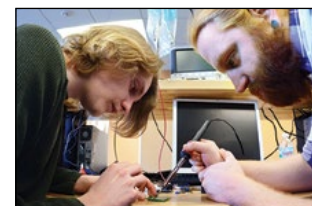
ST. CLOUD STATE UNIVERSITY



ST. CLOUD STATE UNIVERSITY



ST. CLOUD STATE UNIVERSITY



ST. CLOUD STATE UNIVERSITY



ST. CLOUD STATE UNIVERSITY

ST. CLOUD STATE UNIVERSITY BY THE NUMBERS

Enrollment for fall **2013** was **16,245** students.

The SCSU regional economic impact is about **\$520 million** a year.

More than **3,250** degrees were awarded in 2012-13.

In its undergraduate programs, more than **200** majors, minors and pre-professional programs are offered.

More than **60** programs are available through the School of Graduate Studies.

The Herberger Business School's offerings include eight business majors and an MBA program.

St. Cloud State is located on a **100-acre** campus.

SOURCE: ST. CLOUD STATE UNIVERSITY

With around 16,000 students, St. Cloud State University is the largest of the region's several higher education institutions. Earl Potter, who became St. Cloud State's president in 2007, has not only been an academic leader, but also a community leader: He's currently vice chair of the Greater St. Cloud Development Corporation. "When I got here, the mayor and I agreed that you can't have a great city with a mediocre university in its midst," Potter says. "And you can't have a great university in a lousy town. Our futures are intertwined—we are interdependent."

Upon arriving in St. Cloud, Potter saw a university that seemed to be turned in upon itself, disconnected from its hometown. Potter went to work to open up the campus to the city, weaving it into the fabric of downtown. Among the projects that have been built during Potter's tenure is Coborn Plaza, a mixed-use development on Fifth Avenue that houses a welcome center, a small-business development center, classroom space and space for community activities.

St. Cloud State's president also has sought to connect the university with the regional business community. The most significant reflection of this is the Integrated Science and Engineering Laboratory Facility (ISELF), a 100,000-square-foot structure that opened in August. ISELF includes a variety of laboratories, high-tech equipment, a cleanroom and other spaces where faculty members can conduct research. It also is open to professors, students and companies, both new and established, to collaborate on product and business development. "At ISELF, we bring the real world into the education process that benefits the companies in our region and benefits the students and faculty," Potter says.

Potter also has overseen the expansion of the Herb Brooks National Hockey Center, a collaborative effort between the university and the community. The center is located on Fifth Avenue, which connects the university with the central business district. "We envisioned bringing this avenue back to life with the city's convention center at the north end and Herb Brooks National Hockey Center at the south end, creating an education and entertainment corridor that would attract people and support business development in the city," Potter says. "That concept has really come to life, and it is good for the university and good for the city."

It's that sense of community collaboration that Potter praises, and which he's a part of. "If you look across St. Cloud's history, there have been times when leadership was invisible and absent in the community, and the community drifted; and there have been times when leaders have come together and accomplished great things," Potter says. "This is one of those times for St. Cloud." ♦

St. Cloud State is the largest higher education institution in the region and provides a range of sports and cultural opportunities for the area's residents.

28.3%

St. Cloud adults
25 or older with
bachelor's degrees or
higher



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90.3%

St. Cloud adults
25 or older who are
high school graduates



THE LAKOTA GROUP



Downtown St. Cloud's historic buildings include the 1889 First National Bank Building (top right), which is used for offices and restaurants.

CONTINUED FROM PAGE 58

Foundation was one of the organizers of the Community Priorities initiative, which brought together leaders in business, government, nonprofits and the arts to identify goals that are most important to the St. Cloud region and determine ways to achieve them. Around the Cloud came out of the Community Priorities effort; so did the founding of the GSDC.

Another nonprofit present at the GSDC's creation was the Initiative Foundation in Little Falls, a community and economic development foundation that serves 14 counties in central Minnesota. Kathy Gaalswyk, the Initiative Foundation's president, serves on its board of directors and governance committee. She believes it is essential that economic development in the region be driven by the private sector.

"It is critical that there is a team on the ground in any community ready to welcome prospective businesses, to convene potential lenders for the financing package, to help address regulatory and permitting matters, and to serve as an advocate for that business," Gaalswyk says. The communities that are doing well in economic development and business growth, she adds, "have people on the ground playing that role."

The regional, business-centric approach that Gaalswyk describes was crucial in luring German ag machinery manufacturer Geringhoff to open its first North American facility in St. Cloud. "They're a company that started 130-plus years ago, and never expanded outside of Germany," Kleis says. "We spent a lot of time with them, connecting them with suppliers, connecting them to the community."

Landing Geringhoff was a collaborative effort—it had to be. "We were competing with a number of other states that had more tools, that were cheaper in terms of taxes and business climate," Kleis says. "But we really shined when we met with them, we had a united front." The GSDC's business membership provided insights into doing business in the region, government

provided incentives and everyone pointed out the region's assets, including educational institutions' capabilities to provide skilled employees.

The effort succeeded. The Geringhoff facility, which opened in 2013, has brought about 100 new jobs to the region. According to Kleis, 95 percent of Geringhoff's suppliers are Minnesota companies.

Geringhoff's arrival has helped boost a region that is coming out of the Great Recession in good shape. "Our local economy is in a fairly strong growth phase, gone from a recovery that was uneven across sectors, to one that looks like the expansion is being shared by almost all sectors," says Richard MacDonald, an associate professor of economics at St. Cloud State University, who for 15 years has published an annual business report on the St. Cloud Metropolitan Statistical Area (Benton and Stearns counties). "So what's come with that [is that] it looks like we've largely returned to what we might call normal unemployment rates. We've had reasonably strong employment growth; the businesses that we surveyed are optimistic."

In fact, MacDonald adds, "I think that the greatest frustration that we're hearing from area businesses is attracting qualified workers." That's a challenge that the region and the GSDC also are addressing. (See "Help Wanted," page 56.)

A more diverse region

Bob Strack is president of Strack Companies, a St. Cloud-based commercial construction company with revenue of \$50 million. A lifelong resident of St. Cloud except for his college years, Strack believes that his hometown had become too dependent economically on service businesses. That has changed. "Over the years, we have really diversified and gotten a nice balance of high-tech, heavy industry and manufacturing," he says. (See page 56 for a list of the region's largest employers by headcount.)

Among the manufacturers in the region

CONTINUED ON PAGE 77

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Creativity Central

The arts are an expression of the region's sense of community.



Theater, dance and visual arts are among the many opportunities that are available on the St. Cloud arts scene.



Leaders in the St. Cloud region recognize that the arts have many virtues, but they also can be a useful economic development tool.

The region began to put this understanding to work in 2008, when St. Cloud's arts commission began working with the Central Minnesota Community Foundation to develop a cultural plan to boost the arts in the region.

The foundation understood that "you

build community by building social capital, connecting people in meaningful ways," notes Mimi Bitzan, who chairs ArtWorks, an organization that works to advance the goals of the St. Cloud Community Cultural Arts Plan. "And the arts are one of the greatest ways we have to do that."

Out of this effort grew a steering committee to move the cultural plan forward. The committee included not only local universities and arts organiza-

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x
VP and Branch Manager

John Heriges
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President and CEO

Jessica Bitz
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tions (including United Arts of Central Minnesota, the Stearns History Museum, the Great Children's Theatre and the St. Cloud Symphony Orchestra) but also many business leaders. The committee's goal: build awareness among community leaders and business people to understand the value of the arts. "Creativity is an essential resource, and if we invest in our local arts, we invest in our community and our region," Bitzan says.

One of the most notable products of the committee's efforts is Around the Cloud, a central online source of information about the numerous concerts, museum exhibitions, classes and workshops, and other cultural events in and around St. Cloud. The site, launched in September 2011, is currently managed by the St. Cloud Area Convention and Visitors Bureau, with the Central Minnesota Arts Board as a partner.



"The Greater St. Cloud Development Corporation, the convention and visitors bureau, the Chamber, they all use Around the Cloud to showcase the vibrancy of the region," Bitzan says. Indeed, she adds, the site was used to help lure German ag-machinery manufacturer Geringhoff to open its first U.S. operations in central Minnesota by demonstrating that the St. Cloud region is a lively, creative place to work and live. ♦

"We average at least 200 events a month on the AroundTheCloud.org website. We have 270 arts organizations and 105 entertainment venues locally that use the site."

*—Julie Lunning, executive director,
St. Cloud Area Convention and
Visitors Bureau*

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COMPANY PROFILE

GNP

A local hatchery has become one of the state's top agricultural businesses with huge sales.

Family farmers raise chickens for the Gold'N Plump and Just Bare brands.



Gold'N Plump chicken has been one of the most familiar supermarket brands in Minnesota, ever since its famous TV commercials appeared in the 1980s. And GNP Co.—which markets both the Gold'N Plump and Just Bare chicken brands—is one of the biggest agribusiness success stories in the St. Cloud region.

GNP has \$400 million in sales and 1,700 employees, or “team members,” with operations in St. Cloud and Luverne, Minn., and in Wisconsin. It works with 350 family farms in the region, who produce breeder eggs as well as raising birds.

Mike Helgeson, the third-generation leader of the business founded by his grandfather as a chick hatchery

in 1926, has been CEO since 1993, the same year that the company purchased Wisconsin-based Arcadia Fryers. The company changed its name to GNP in 2011 to differentiate itself from the Gold'N Plump brand.

For GNP, remaining in the St. Cloud region offers several advantages. “It’s the warm winters,” Helgeson jokes. More seriously, he adds that “most of our industry is located in the southeastern part of the country and on the Eastern Shore. We’re the only Midwest company in the chicken business, and one of the advantages that gives us is distribution—the ability to distribute to customers across the country. We can go east or west or south.”

Another strength of GNP’s central location is access to corn and soybean feed. “We purchase corn directly from area farmers, about 10 million bushels of corn per year,” Helgeson says. “Buy-



Mike Helgeson

ing direct gives us an advantage in our very competitive industry.” The lower cost of feed helps offset expenses related to heating and barn construction.

Labor costs are higher in the Midwest, to be sure. On the other hand, Helgeson says, “we benchmark our performance against the

industry, and we do have higher productivity from our team members. We also embrace automation as much as we can.” He also touts his company’s location because of the combination of “excellent educational facilities [that provide] opportunities for team members and growers.”

In December, GNP was acquired by Illinois-based family-owned pork producer Maschhoffs LLC, though GNP continues to operate independently. It makes sense: GNP has proven the St. Cloud region to be fertile ground for business growth. ♦

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The company plays a big role in product testing.

It might seem ironic that in a region with a strong health care sector, one of the most innovative businesses in the region sells disease-causing microorganisms. But the bacteria, yeast, fungi and viruses that St. Cloud-based Microbiologics grows and sells are in demand worldwide.

No worries—we're not talking bioterrorism here. "If you are doing testing in a pharmaceutical lab, food lab or hospital, how do you know your tests are work-

ing unless you have a positive quality control?" Microbiologics CEO Brad Goskowitz says. These markets are seeking to test for the presence of pathogens such as salmonella and E. coli. "What we are supplying are positive quality controls for labs in all those markets," he adds.

These tests can be crucial to product safety. For instance, "how do you test cosmetics to make sure your preservative is working right? In hand cream, for instance, you keep dipping your fingers in there," Goskowitz says. "What makes you sure that it is not going to grow bacteria that will cause problems?"

Microbiologics began in 1971 as a water-testing laboratory. Over time, it became involved in other diagnostics, food and feed testing. In the 1970s, it started making prepared microbiological media (the plates upon which bacteria



Brad Goskowitz

are grown). It gradually saw an opportunity to provide microorganisms for testing labs. Back then, these bugs were generally sold in slabs, and "shipping was very difficult," Goskowitz says. In the 1980s, the company developed a freeze-drying technique that allowed for easier transport, and the company soon was able to drop its testing work and

focus on microorganisms.

"We take very pure strains, freeze-dry them in a ready-to-use format and ship those throughout the world," Goskowitz says. "We're in 130 countries around the globe."

Microbiologics has 89 employees in Minnesota and another 22 at its second facility in Kentucky. "There are really only three companies in the world that do this," Goskowitz says. "So it is special that we have a company like that right here in St. Cloud." ♦



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St. Cloud Native Honored as Minnesota's Small Business Person of the Year

Scott Warzecha expands Netgain's data operations and employment level.

Scott Warzecha, a St. Cloud native, was named Minnesota Small Business Person of the Year in March by the U.S. Small Business Administration.

Warzecha is president and founder of Netgain, a St. Cloud-based company that concentrates on cloud computing services for the health care industry.

About three years ago Warzecha decided to alter his business model. Netgain shifted from a general services information technology provider to a focused IT company that assists health care providers, particularly small hospitals and rural clinics, with issues such as electronic medical records and networked

computer systems.

The new approach has resulted in major employment growth for Netgain, which has increased its workforce from slightly more than 50 employees in 2011 to nearly 100 in 2014.

Many small, rural communities lack access to reliable high-speed telecommunications. They need on-site equipment for adequate transmission speeds. Small health-care facilities also often don't have staff with the time or skills to operate complex computer systems. In response, Netgain has extended its services by providing Netgain equipment on-site for health care clients.



Scott Warzecha

Warzecha customizes services for health care facilities in rural areas.

the Twin Cities metro area, and works with them to ensure compliance with intense regulatory requirements. The company collaborates with health care providers to ensure patient data privacy.

Netgain annually donates 5 percent of its profits to charity.

The Small Business Person of the Year is chosen based on growth in sales or unit volume, increase in the number of employees, financial strength, innovativeness of a product or service, and evidence of contributions to community-oriented projects. ♦

Through Netgain's datacenter operations, company staff monitor, manage and maintain client equipment remotely. They can run a client's systems from the Netgain office in St. Cloud, which includes upgrades and trouble-shooting. Netgain also has health-care clients in

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COMPANY PROFILE

Marco

The company is a national vendor for an array of business IT services and products.

About 300 employees work in the new St. Cloud office.



A few years back, when the company was growing particularly quickly, Marco considered moving from St. Cloud, where it was founded, to the Twin Cities metro area.

It would have been a reasonable move. Founded in 1973, the employee-owned firm supplies and maintains voice systems, data networks, printers and copiers, video conferencing, business IT services, digital signage and other business

technologies for 18,000 customers nationwide. “You could make a case that we should be down in the Bloomington area by the airport, because a lot of our clients and suppliers like Canon, Minolta, Cisco Systems and Microsoft are down there,” Marco CEO Jeff Gau says.

Instead, Gau explains, “it made sense for us to stay here.” In 2012, with tax abatement and other help from the City of



Jeff Gau

St. Cloud, Marco moved into a new facility on Interstate 94, where 293 of its 750 employees work. The St. Cloud area has proven to be a good place for the company to grow—Marco has grown nearly 30 percent annually on average for the past 10 years, and Gau says the company expects to produce continued strong results

in 2014. Last year, Marco steadily added workers to its payroll.

It was Marco’s long-time ties to the region and the commitment to its employees that were perhaps the deciding factors. “We are glad to be playing a part in this growth,” Gau says. “If we do our job right, we all get to grow our respective businesses in this marketplace, we have a better place to live, a better place to work, a better place to do business. And that is the right thing to do.” ♦



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Twin Cities Business has recognized numerous businesses and company leaders from St. Cloud and the surrounding area through its annual awards programs. In the past few years, the magazine has honored area companies, large and small, ranging from a beverage maker to a trucking company, for their success and their contributions to Minnesota's economy.

Cold Spring Brewing, located in nearby Cold Spring, was one of *Twin Cities Business*' 2012 Small Business Success Stories, an annual honor bestowed on small businesses whose owners recognized opportunities and possessed the endurance to overcome the hurdles and challenges that come with risk. The same honor went to PAM's Auto in St. Cloud the year before.

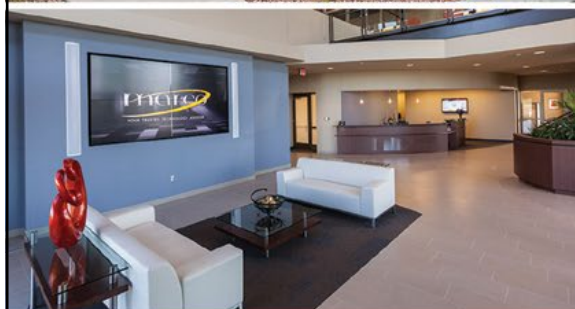
Blattner Energy Inc. of Avon was among the winners of the 2013 Minnesota Family Business Awards, a program that each year honors five outstanding family-owned businesses with a strong record of success, family involvement and community service. Anderson Trucking Service Inc. of St. Cloud received the award in 2012.

Chris Coborn, CEO and president of Coborn's Inc., was among the 2011 Ernst & Young Entrepreneurs of the Year for the Upper Midwest, an annual program that honors entrepreneurs who have uncovered a distinctive opportunity and driven notable growth in their businesses.



Cold Spring Brewing, Cold Spring

Founded nearly a century and a half ago, Cold Spring Brewing has evolved into a beverage industry behemoth, producing and packaging millions of cases of nonalcoholic beverages and craft beer each year for clients from all over the country. In addition to "batching" beverages such as energy drinks—mixing water with sugar, caffeine and other ingredients—the company also brews craft beer for clients and produces its own beer under the proprietary Third Street Brewhouse brand.



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PAM's Auto, St. Cloud

Started in 1991 as a body repair shop in a humble two-car garage, PAM's expanded into mechanical repair, body work, and auto salvage. Today, it's something of a high-end auto salvage yard: In addition to auto repair, the company specializes in recycling auto parts, especially sought-after original factory parts. PAM's (an acronym that stands for Pat and Mike, the owners' first names) also emphasizes the "green" aspect of its business: Reduce, reuse, recycle. Co-owner Mike Meyer is pictured above.

TRAVIS ANDERSON



Blattner Energy Inc., Avon

Blattner, a century-old construction company is one of Minnesota's largest private companies and has become a powerhouse contractor in the renewable energy industry, involved in the construction of wind, solar and transmission projects across the United States and Canada.

SARA JORDE



Anderson Trucking Service Inc., St. Cloud

Founded in 1955, Anderson Trucking Service transports a variety of materials throughout the country, with a particular specialty in wind energy equipment. The company invested heavily in new equipment, allowing it to move aggressively as the recession receded. The long-term view paid off, with revenue climbing significantly in recent years.



Chris Coborn, president and CEO of Coborn's Inc., St. Cloud

Chris Coborn represents the fourth generation of his family to lead Coborn's, which started in 1921 as a single produce market in St. Cloud. He became president in 1996 and CEO a decade later, and today he's at the helm of a \$1.2 billion operation that employs roughly 7,400 and operates a broad network of grocery, convenience, liquor, video and other stores, as well service as an online grocery and home-delivery.

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SPECIAL ADVERTISING SECTION

COMPANY PROFILE

Fingerhut/Bluestem Brands

Familiar St. Cloud brand undergoes business revival.

One of the best-known brand names to have come from the St. Cloud region has been Fingerhut, the catalog purveyor of low-cost housewares and other goods. Fingerhut went out of business in 2002, but was soon revived. It is now part of Bluestem Brands, which operates two other online shopping businesses, Gettington.com and PayCheck Direct.



Vince Jones

Bluestem is headquartered in Eden Prairie, but Fingerhut is in St. Cloud. It's now an e-commerce retailer, and it has "had double-digit growth for the business for the past four years," says Vince Jones, Bluestem's chief operating officer. "We serve a moderate- to low-income customer base and have a product offering that's very important for that group of customers." Its offerings include home furnishings, electronics and toys.

Besides its Fingerhut operations, Bluestem has its primary distribution center in St. Cloud, a 1.2 million-square-foot facility that ships 90 percent of all of Bluestem's products across all three of its brands. In addition, Bluestem has call center operations in St. Cloud. All told, Bluestem employs 600 in the Granite City. "Our presence there has grown about 40 percent [in terms of employees] since 2011," Jones says.

Those employees have been a key factor in the "new" Fingerhut's success, Jones says: "They're a great team, loyal folks who've been part of the company for a long time. They're very invested in the company's success." ♦



**Fingerhut is now
an e-commerce
retailer that has
been experiencing
double digit growth in recent years.
It serves low- to moderate-income
customers.**

NativeX

The Weber brothers are leading a fast-growing IT company.

The St. Cloud region's technology sector has been growing fast the past few years. Much of the credit for that has to go to the pioneering Weber brothers, who founded Sartell-based NativeX in 2000.

Ryan, Rob and Aaron Weber started their company under the name Freeze. "We built what we felt was the leading free catalog of clip art, screen savers and [digital] wallpaper on the web," Ryan Weber says. "The way we monetized that business was through the use of ads on these websites."

The business grew quickly, but within a few years, the Webers realized that their business needed to change along with the marketplace. By 2007, Freeze (which changed its name to W3i) shifted to a model based on desktop PC web ad monetization for its websites. In 2010, Ryan and Rob Weber took another new direction, focusing on mobile app downloads monetized through online ad sales. (Aaron left the company in 2007.) In March 2013, the company changed its name again, to NativeX.

The fresh direction has worked out well. NativeX is now a \$50 million-plus company, and has 123 full-time employees, along with a small team of contractors. About 75 work in Sartell; the rest are employed in NativeX's offices in Minneapolis and San Francisco.

Weber notes the number of high-tech firms that have been sprouting up in the region, including LiveEdit (which provides on-line marketing management for small and mid-sized companies) and Geo-Comm (public safety communications). "Half of these companies were not around 10 years ago, when we started," Weber says. The region "has a ways to go to be recognized as a tech hub. But we've come a long way." ♦



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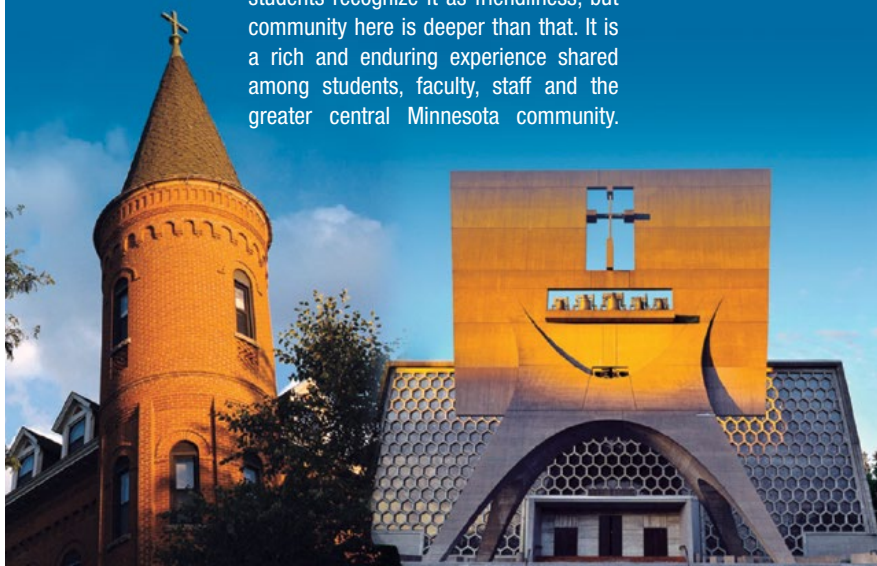
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Greater St. Cloud

SPECIAL ADVERTISING SECTION

COMPANY PROFILE

Park Industries

This company makes high-precision, stone-cutting machinery.



Joan Schatz

The granite industry, though smaller than it was when St. Cloud became known as the Granite City in the 19th and early 20th centuries, hasn't disappeared. Park Industries, which manufactures high-tech saws, polishers and routers, was built on that rock-solid legacy.

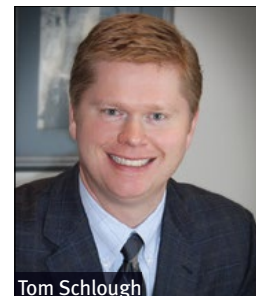
"We sell primarily to the U.S. and Canada, and our customers are fabricators of natural stone," Park Industries president Tom Schlough says. "It's anything from a granite countertop to a piece of stone that is exterior cladding for things like Target Field, the Empire State Building, the Pentagon, St. Thomas [university], and a lot of different stone applications in between." Founded in 1953, Park Industries now has 230 employees, all in the St. Cloud region.

The company's durability and growth are due not only to its workforce but also to its ability to evolve. "You are seeing more and more technology applied to stone fabrication as we move into the future," says Joan Schatz, Park Industries' chief operating officer. "It makes fabrication of stone more cost-effective and therefore more accessible to more and more people. The use of stone has been able to grow in the last several years because of the application of those technologies."

Those new technologies include computer-numerical control and digital instrumentation. "It's all about computer-driven fabrication rather than hand tools and tape measures," Schlough says. Call it craftsmanship with 21st-century tools. ♦



The company sells a Hydrasplit, (above) that's used to split stones.



Tom Schlough

"It's all about computer-driven fabrication rather than hand tools and tape measures."

—Tom Schlough,
Park Industries President

CONTINUED FROM PAGE 64

are Electrolux Home Products (freezers) and New Flyer (buses). Highly regarded and locally grown tech firms include NativeX (see page 75) and eBureau (data gathering and predictive analytics for consumer marketers). St. Cloud is the hometown of Coborn's Inc., which operates 48 stores across the Upper Midwest under the Coborn's, Cash Wise Foods and Save-A-Lot banners, as well as the Coborn's Direct delivery service in the Twin Cities metro area.

Thanks to this strengthening business base, the region's professional services are flourishing. A case in point is the St. Cloud office of the Minneapolis-based law firm Gray Plant Mooty. In 2003, Gray Plant Mooty merged with longtime St. Cloud firm Hall & Byers. The combination occurred, says Ed Laubach, managing attorney for the St. Cloud office, because Hall & Byers' clients "continued to develop more complex needs for legal services" as their businesses grew. Laubach believes that the St. Cloud region and its companies are thriving because of its central location in Minnesota, as well as its proximity to the booming oil fields of North Dakota. "Existing clients in Minnesota are doing business there, and we're developing new work in North Dakota," he says.

In the financial services sector, one of the locally grown success stories is Granite Equity Partners, which has an office in Northfield as well as in St. Cloud. The firm specializes in taking ownership stakes in smaller, profitable companies, primarily in central and Greater Minnesota, that are undergoing transitions such as owner retirements. As managing partner Rick Bauerly notes, the mission is to keep good Minnesota businesses in Minnesota hands. One of its 10 portfolio companies is GeoComm, a St. Cloud-based technology firm that provides GIS software and data services for 911 call services across the United States.

Other notable firms in the financial services space include Capital One 360 (formerly ING Direct), which provides online banking services independent of a customer's physical location; and Wolters Kluwer Financial Services, a unit of Minneapolis-based Wolters Kluwer that provides compliance services to banks nationwide. Paul Kuhn, CFO of Wolters Kluwer's St. Cloud operations, says that his company has acquired businesses in Baton Rouge,

CONTINUED ON PAGE 78



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German firm Geringhoff began manufacturing agricultural equipment in St. Cloud last summer.

CONTINUED FROM PAGE 77

La., and in Boston, and moved them to St. Cloud. "The area continues to be an attractive place to build out as we acquire and expand operations," Kuhn says.

Not all of these companies have their headquarters in the Granite City, by the way. Neighboring Sauk Rapids, Sartell and Waite Park, for instance, are all experiencing new development with an eye toward future growth. Sartell has become something of a second health care center for the region, after St. Cloud, centered on the 1 million-square-foot CentraCare Medical Plaza. New commercial and housing development also have been taking place—Sartell has had the most housing starts in the region in the past two years. The city now is looking at new development of the Verso paper specialty land on the Mississippi. (The plant, which closed in 2012 after a deadly fire, is now being demolished). Meanwhile, Waite Park has become a major retail center in the region, with several big-box stores and malls.

Sauk Rapids is one of the fastest-growing cities in the region. Its population has grown more than 25 percent since 2000, and is now around 13,000. Sauk Rapids has a solid manufacturing and distribution base. WFSI, a precision welding firm specializing in energy applications, is located in Sauk Rapids. So is Hardware Distributors, one of the largest distributors of cabinet hardware in the Midwest, as well as the Stearns life-jacket and protective clothing division of outdoor gear giant Coleman.

Sauk Rapids is now in the process of expanding its industrial park. Sauk Rapids leaders also are proud of their active downtown, which has been reinvigorated after

the construction of a new bridge across the Mississippi in 2008.

St. Joseph, home to the College of St. Benedict, also has a vigorous downtown with several new shops that cater to students and the young at heart. St. John's University is in nearby Collegeville. Downtown St. Joe recently saw the completion of the Millstream Shops and Lofts, a combination retail and residential development that is fully occupied. The city also has been filling empty spaces in its industrial park, attracting new employers both there and in other buildings in town.

A special municipality in the region is Cold Spring. The city of 4,027 is home to the Coldspring granite-quarrying firm, a link to the region's past. Numerous national monuments, including the Korean War Memorial in Washington, D.C., and the lobby for the new World Trade Center in New York were built with granite quarried by Coldspring. Also in Cold Spring is Granite-Tops, one of the largest fabricators of residential stone surfaces in the country.

Cold Spring also is the focal point of the region's craft beer production. Craft beer is being brewed by a rather unusual source—Cold Spring Brewing Co. It's the state's largest brewery as measured by production, as well as Minnesota's second-oldest. (It produces a number of brews on contract, as well as its own products.)

The old brewery nearly shut down in the late 1990s, but new investment brought it back from the brink. A few years ago, Cold Spring added a modern brewhouse and began producing its Third Street beers, a collection of distinctive brews that have become the company's fastest-growing products, with markets extending

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throughout Minnesota and beyond.

The Cold Spring brewing tradition is rooted in the region's German heritage. In recent years, St. Cloud and surrounding communities have become home to immigrants from other parts of the world, notably Somalia and Mexico. This has been a source of some tension, but area leaders say that these newer Central Minnesotans are a boon to the region's culture and economy. "It's the fact that we continue to grow, that people want to move here, and that it just isn't the traditional Germans or Norwegians—we have greater diversity now in the community," Joul says. "People are coming from many different places [who] want to live and engage in the life of this community."

With a diversity of industry (and, increasingly, of people), infrastructure improvements, a thriving arts scene, and a new pride in its distinctiveness, the St. Cloud region has a great deal going for it, supporters say. But until fairly recently, it hasn't been good at tooting its own horn. "We have so many great things going on in this community, and people don't know about it," says Sonja Gidlow, the GSDC's director of strategic initiatives and communication. "We've kind of got that humility, [have been] kind of bashful about telling about ourselves. We have had consultants come into the community, look around and say, 'Wow, we had no idea. You've got a highly productive workforce, an educated workforce, universities, the Mississippi River, which is a world-renowned natural resource, an easy drive to a major metropolitan area, an easy drive to the lakes country, unbelievable businesses here.' And we kind of go, 'Really?'"

The City of St. Cloud has completed a rebranding effort to promote the city's virtues, and the GSDC now has a regional branding program underway to promote the area as a good place to work and live.

"I feel like for the first time in a long time—and I've been here almost 30 years—that we're all for the most part on the same page, in the same book, at the same time, pulling together to build a community that businesses want to be a part of," says Jeff Gau, president of Marco, a business technology company with a national client base (see page 71). "It is a pretty exciting time for us."

Attorney Schoenborn echoes this sense of pride and excitement. "We are ahead of the curve in wanting to build a great community," he says. "And we are—we're making it better. I think there is a creativity to be thinking differently and also to be better. And the caring attitude, the collaboration, is unlike anything I've ever seen." **TCB**

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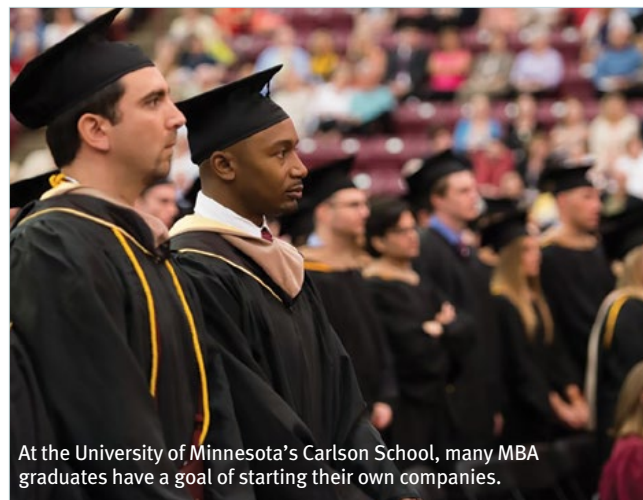
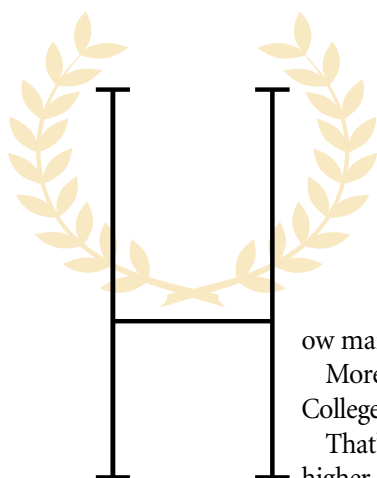


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MBA+

Specialty options within MBA programs and alongside them are booming.

By Denise Logeland



At the University of Minnesota's Carlson School, many MBA graduates have a goal of starting their own companies.

How many MBA programs are there in the Twin Cities market?

More per capita than in the much larger Chicago metro, estimates Christopher Puto, dean of the Opus College of Business at the University of St. Thomas—"Give or take, at least 20."

That's a lot, but if it seems like there are even more, it's for good reason. Options in business-related higher education are multiplying quickly.

At least six master of business administration programs are new to the Twin Cities in the past 10 years. What's harder to count are the other ways schools are layering together new options for business students. There are more specialty concentrations within MBA programs, and more ways these programs are delivered, with variations on flexible scheduling and classroom-online hybridization.

The biggest change in the market, however, is a significant rise in specialty MS programs, says Philip Miller, assistant dean of the MBA program at the University of Minnesota's Carlson School of Management in Minneapolis. Niche master of science degrees—in finance, information technology (IT) and human resources—fold in elements of an MBA without requiring the same time, cost or broad understanding of business. The Carlson School is starting a new one this year.

"We're launching an MS in business analytics this summer," Miller says. Students are enrolling this spring for a 12-month curriculum that starts in June. St. Thomas is also looking at developing a degree of this type, Puto says.

Does the growth in alternative master's programs mean that the mainline MBA is losing its luster?

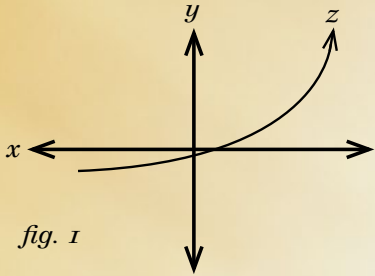
"I don't think that the proliferation of options implies that the MBA is less valuable," says Tiffany Cork, director of admissions for MBA programs at the University of St. Thomas. "I think part of it is just trying to capture the market," she says, to "provide a new option for people who maybe aren't going to go the MBA route."

Do new MS offerings put schools in the position of cannibalizing their own MBA programs? The Graduate Management Admission Council, which administers the widely used GMAT admission test for business schools, suggests that's happening. "Diversification of program types has contributed to the dramatic growth in business schools, but it also may have contributed to increased competition between programs," GMAC says in a 2013 report.

"It's an open question in the industry," Miller acknowledges. But his own answer is that the growing menu of business degree programs at schools like his won't be stealing students from each other.

"People get an MS degree for different reasons than they get an MBA degree, so I don't think one necessarily means you wouldn't get the other," he says. "A lot of programs that I've talked to explicitly design their MS program such that you would be admitted into the MBA program at a later date."

13. If x -axis represents *Donuts Eaten* and y -axis represents *Unproductive Hours in Meetings*, predict z .



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Evening MBA Program

Three MBA Trends

St. Catherine University in St. Paul has the Twin Cities' newest MBA program and welcomed its first-ever cohort of students in January this year. The 24-month part-time curriculum offers a concentration that's novel, at least locally, in integrated marketing communications (ICM), along with tracks in management and health care.

"We've tried to marry some of the best of what you see in communication strategy with the MBA, but have a really current social flair to it," says Sara Kerr, an assistant professor and former corporate marketer, who helped develop the ICM concentration.

"There's a lot of interesting research in business journals being published about how business schools don't teach social [media]," Kerr explains. "Almost all social classes are taught in the journalism and communication schools... yet almost all our graduates and our students in internships are finding that they're expected to know some degree of social media when they get into a job."

Carlson's MBA program is the oldest one locally, dating to the 1920s, but Miller sees something new there among millennial students. More of them are what he calls "off-road-ers." They want an MBA, but not for a traditional career.

"A lot of them want to start their own

company, they want to explore social entrepreneurship, they want to look at NGOs [non-governmental organizations] as a career path," he says. "That's a different animal for a career center to deal with."

Providing career services for off-road-ers requires "developing more complex and rich networks of alumni and support," Miller explains. Students need to connect not so much with Fortune 500s or public accounting firms, but with start-up entrepreneurs and nonprofits. "A big part of that search isn't, 'Hey, I'm looking for a job,' it's, 'Hey, here are my interests. What advice would you have for me?'"

Cork sees some of the same at St. Thomas. "Social entrepreneurship and entrepreneurship in general, those kinds of innovation courses are really popular right now." Even students who don't choose it as their degree focus "want to at least have some exposure to that, because they see that within the business community that's an important growth area."

Cork adds one more trend: "We've seen an increase in the number of [students with] STEM [science, technology, engineering, math] backgrounds coming into the MBA program, and they generally want and need to build some of their softer skills." Other business students want to develop their soft skills, too—writing, speaking, leading, nego-



The University of St. Thomas sees STEM students seeking "softer skills" in its MBA program.

MIKE EKERN/UNIVERSITY OF ST. THOMAS

tiating—and seek out courses that emphasize those things. Cork says that includes a "great books" course where they discuss how works of literature and philosophy apply to the purpose, dynamics and ethics of business.

Who enrolls?

What students want from an MBA hasn't changed in essence, Puto says. They still want to advance their professional status and their careers. "A business education is truly an investment, not an expense, and it should have a long-run return that's positive."

That said, enrollment patterns have changed in recent years. The average age of full-time MBA students at St. Thomas is down just slightly from what it was before the recession, from about 27 to 25, Puto says. In the recession, "people might have gotten laid off, and there's a slight uptick in enrollments in full-time programs when that happens. Now, the length of this recession has depressed that [effect]," he adds. "It just had to get flat."

An opposite change happened in the St. Thomas part-time MBA program. People who had jobs worried about them and were reluctant to enroll during the recession, Puto says, because "employers might have perceived that they were thinking of leaving." Now part-time applications and enrollments are trending up. It's a sign that there's more confidence in the economy, he says.

Setting aside economic factors, people make degree choices based on where they are in their careers and education. That's why there's a place for so many MBA and alternative graduate-level business programs, Miller says.

"For us [at the Carlson School], the full-time, the part-time and the executive [MBA] program are targeted at different competitors, attract a different student base and really don't have a ton of overlap."

Carlson's executive MBA, for example, targets senior executives in the Twin Cities and Chicago markets. "Think director level, entrepreneurs who own their small company, leaders of a functional area at a Fortune 500 company who are looking to become general managers," he says. They have an average of about 15 years of work experience vs. five in the other programs.

By contrast, the full-time MBA program recruits internationally and, historically, more than half the class is not from the Twin Cities or Minnesota. The part-time program, on the other hand, "is a local market, really within 50 miles of the building."

Every school has a defined market for its various MBA offerings. At Metropolitan State University in Minneapolis, it's students who want a program that's flexible time-wise and "manageable" cost-wise, says Anongsri Wengronowitz, director of graduate recruitment and admissions for Metro State's College of Management. That same territory has also been staked out by for-profit schools including Capella University, which offers seven of the Twin Cities' 18 MBA programs.

It's harder to say for sure whom the master's-level alternative degree programs will end up serving best. Cork and Miller say enrollees are young, with just a year or two of work experience. Cork says schools anticipate they'll pick up needed skills now and come back again later on. "They'll do an MS in finance and then maybe five years down the road they'll realize, 'I want this broad perspective and I'll go back and get my MBA.'"

Joann Bangs, interim dean of St. Catherine's School of Business and Professional Studies, sees students' decision making differently. St. Kate's new MBA is for students who are "newer in their career path" and need a broad business foundation, she says. The school's longstanding master of arts in organizational leadership is for students who've "spent some time in their career. They've risen through the ranks and are finding that they have some gaps in their leadership abilities."

Ultimately, Bangs believes, there are two distinct populations of students looking for graduate-level business education.

"There's a core of people who want an MBA because that's the recognized credential," she says. "And I think there's a core of students there who look at it and say, 'Well, I want some of that, but that's not really the package I want.' I think we really do have two different groups of people."

What employers want

Miller suggests that ultimately employers are behind the growing number of

U.S. MEDIAN STARTING SALARIES FOR NEWLY HIRED MBAS

A national survey of corporate recruiters, conducted for the Graduate Management Admission Council, shows the median starting salary for newly hired MBAs plateaued at \$90,000 from 2008 to 2010. However, it rose to \$95,000 nationwide in 2013. The Midwest region was in line with the \$95,000, while the Eastern region was higher and the Southern region was lower than the national median.

2010	\$90,000
2011	\$92,000
2012	\$90,000
2013	\$95,000

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- 1) Consulting \$123,000
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- 4) Products/Services \$90,000

SOURCE: GRADUATE MANAGEMENT ADMISSION COUNCIL

Three Big Changes in Higher Ed

1 REIMBURSEMENT FOR TUITION IS DROPPING

"Among the biggest changes in the market post 2008 is the continued decline of employer reimbursement for any kind of graduate work, not just MBAs," says Philip Miller, assistant dean for the MBA program at the University of Minnesota's Carlson School of Management. Miller says schools are stepping up their career services in programs where students, and no longer their employers, are the primary customer.

Tiffany Kuehl, president of the Twin Cities Human Resource Association, says, "Tuition reimbursement programs are alive and well" but are often tied to the grades a student gets, their level in the company or goals in a performance review. "A lot of what I've seen is a tiered approach based on a certain set of criteria."

2 MOVE TO MAXIMIZE FACE TIME IN CLASS

St. Catherine University looks toward the needs of its students and they want flexibility, says Joann Bangs, dean of the School of Business and Professional Studies. In St. Kate's new MBA program, and in many other graduate courses, the concept of a "flipped classroom" is at work: Class time is used for the elements of learning where in-person interaction really counts, not just for lectures.

Listening, reading and other activities that can be done independently are done outside the classroom. Bangs says, "It's about getting the most you can out of the time that you're meeting face to face, and then being able to supplement that with good online instruction."

3 MORE INTERNATIONAL STUDENTS SEEK MBAS

The Graduate Management Admission Council, which administers the GMAT, the most widely used admission test for business schools, says the number of students seeking business degrees in countries other than their own nearly doubled over the past decade or so, from 2.1 million students in 2000 to 4.1 million in 2012. —D.L.

master's-level alternatives to the MBA.

"You can no longer rely on getting a good job just by having a decent GPA at a decent school" as an undergraduate, he says. "A lot of the MS degrees appeal to people who didn't get an undergraduate business degree. . . . These programs are ways to engage a business or commercial curriculum more explicitly early on and make you more employable."

All along a spectrum, from the shop floor in manufacturing to HQ offices, employers have voiced concerns in recent years about "skills gaps" in the work force. They want people who have specific knowledge and skill sets and are prepared to do specific jobs.

"I do think that the shift in [schools] developing those kind of specialized programs is in part due to the shift in what organizations are looking for," says Tiffany Kuehl, president of the Twin Cities Human Resource Association, an affiliate of the global Society for Human Resource Management.

She says companies are saying, "I need someone who's got an advanced degree. A business degree is great; however, I need them to be a little bit more technical, or I need them to have a little bit more medical acumen and experience."

In the HR field generally and in her own HR experience as a hiring leader, Kuehl sees employers welcoming a range of graduate-level business credentials.

"What I find is in the requirements for different roles, we aren't as specific about what type of advanced degree," she says. Increasingly, diversity in hiring means not just gender or ethnic diversity, but "becoming more and more open to diverse backgrounds and experience." That includes online universities and other avenues for higher education while accommodating a job and a busy schedule.

The MBA still stands apart, Kuehl adds. "For me, it says that someone is committed to their work and their industry" and to knowing the newest best-practices of their particular function in the company.

The breadth of an MBA program, compared with a more focused degree, can answer corporate recruiters' needs when what they're asking for is critical and analytical thinking, Miller says. "Can you actually structure and solve ambiguous problems? Because life doesn't come with clearly defined problems. You've got to figure out what the problem actually is." **TCB**

Denise Logeland is a freelance reporter who frequently writes for Twin Cities Business.

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PARTNERS IN GROWTH

Small businesses seek outside experts to ignite their expansion in the marketplace.

Successful entrepreneurs are the people with a new business idea or a market niche they've identified as ripe for growth.

But often the founder or new company executive is working with a small employee base and lacks in-house expertise in critical areas.

Business services firms—whether they provide IT, public relations or market research assistance—have the capacity to support a company's rapid expansion.

In this issue, *Twin Cities Business* profiles three small companies that are addressing challenges and growing their businesses through strong partnerships with service providers. Our reporters examined how and why the three companies built beneficial relationships with key business experts.

IT TAKES A VILLAGE

Lift Bridge Brewing Co. enlists a community of service providers to help fuel growth.

By Christie Washam

Dan Schwarz and his buddies love beer and Stillwater, so it just seemed natural for them to found Lift Bridge Brewing Co. in a city where they've had many good times together.

When it came time for the five friends to take a business approach to their fondness for craft brews, they decided they wanted to integrate their community commitment into the heart of everything they did in their new company.

After launching beer sales in 2008, the business is showing strong growth, with \$1.4 million in revenue in 2013.

But Schwarz, a co-founder and the CEO of Lift Bridge, says that he and his fellow entrepreneurs looked for help when they wanted to connect with beer consumers.

Lift Bridge is all about “reflecting the St. Croix [Valley] lifestyle—a little more relaxed, a little bit of a throwback,” Schwarz says.

They needed a brand to capture that essence, and to tackle that task they turned to Studio 2, a St. Paul design firm. Studio 2 had done bottle packaging design before, but Lift Bridge was its first beer. And it was a challenge. Lift Bridge had already released

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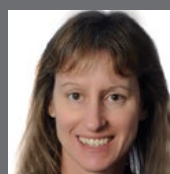
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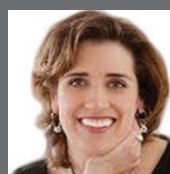
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Managing Director
Houlihan Lokey
Minneapolis, MN



Killian Rieder

Co-founder and Creative Director
Edia Inc.
Minneapolis, MN



Keyna Skeffington

VP and Deputy General Counsel
Medtronic, Inc.
Minneapolis, MN

a version of its penultimate beer, Farm Girl Saison, but the owners weren't sure which direction to take future brews. Would each design be different? Would there be an overarching theme? What would best reflect their dedication to local heritage?

Future brands, old-fashioned feel

"They asked us to create a family brand that could be brought back to other products," Bob Powers, Studio 2 creative director, says. This was a risk, because it meant creating designs for beers that didn't even exist yet. They worked off of Farm Girl's original design to create the label for Crosscut, Lift Bridge's second offering.

Both featured whimsical antique-style photography and old-fashioned typography. They eventually reworked the Farm Girl design and updated it when Lift Bridge started using aluminum cans.

The visual impact had a link to the past that the founders appreciated. When they started Lift Bridge, it was with the intention of bringing brewing back to Stillwater and the St. Croix Valley, which had a history of brewing beer from the 1800s until Prohibition.

The work Studio 2 did resonated with

Lift Bridge. The partnership worked so well that the company's leaders asked the design firm to create their primary and secondary logos and their website.

"We've developed a good sense of trust. They trust us to concept from the ground up," Powers says. Schwarz and the rest of Lift Bridge's ownership pool go to Studio 2 with ideas as soon as they have a new beer in mind. They're open to collaboration, and Studio 2 has even helped brainstorm names. As the working relationship strengthens, so does the brand.

Standardizing the visual brand also meant standardizing how that brand was communicated. Lift Bridge hired Minneapolis-based Lola Red PR to streamline their outreach. "Lift Bridge has great events and a great sense of com-

munity," Lola Red publicist Keegan Shoutz says. "They're fun and engaging and are always looking for bigger and better things. It helps us build their PR story."

He says working with a company owned by a group of friends is easy when they're always coming up with out-of-the-box ideas—such as 2013's Mini Donut brew released



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CEO Dan Schwarz (left) founded Lift Bridge with several buddies. They wanted their brand to reflect the St. Croix Valley lifestyle. They look for service providers who share their values of trust, openness and new approaches.

in conjunction with the Minnesota State Fair.

This past summer, Lift Bridge had a series of tastings on paddleboat cruises on the St. Croix River.

"It's not just what's new," Shoutz continues. "It's what stands out."

Standing out can be hard in the crowded Minnesota craft-brewing scene, but Lift Bridge already has a taste of success. The Twin Cities metro area has been

the company's core sales territory, but it recently expanded into the Fargo, Detroit Lakes and Marshall areas. The company's workforce has grown to 21 employees.

Finding a financial partner

Of course, expansions require financial investment. Lift Bridge's owners wanted to add equipment including fermenters and tanks, which would dramatically raise their production capacity to 7,000 barrels in 2013. The consumer market was thirsty for more Lift Bridge beer, but the company's cash flow couldn't meet the expansion price tag, Schwarz says. Lift Bridge needed a loan—one that wouldn't overwhelm it with a huge debt or high interest rates.

"They needed a partner," says Julie Stewart, a relationship manager at the Minnetonka branch of Alerus Financial. "They've been around for a while and are established in the fact that they have a tremendous amount of exposure. We recognized the fact that they need to manage their working capital, and that helped us

come up with a solution."

Stewart evaluated Lift Bridge's situation. She looked at the management and how the company was doing in the market. Craft breweries have been experiencing rapid growth, and the management team at Lift Bridge struck her as highly detailed in its orientation for executing a growth strategy.

She wasn't worried about making a loan, but she knew she'd have to get creative to fit their needs. Eventually Stewart and Lift Bridge decided to arrange for a Small Business Administration loan, which offered a smaller down payment, a longer payback period (10 years instead of the traditional five), and relatively low interest rates. It was the perfect option for the small but burgeoning brewery.

Like Studio 2 and Lola Red, the work-

ing relationship between Lift Bridge and Alerus is on a firm footing. Trust, openness, and a willingness to try something different are consistent traits of Lift Bridge's leadership.

Schwarz likes to use inside talent whenever possible. For example, before purchasing energy-efficient equipment, considerable research was done by in-house talent. Yet the moment that the cadre of Lift Bridge leaders recognizes they don't have the right expertise to meet their next business challenge, they seek external sources.

"One of our missions is to look locally," he says. "It still has to be a good fit and the company has to have the right skills, but it's amazing when you look locally, you find what you need right in your backyard."

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REACHING HIGHER GROUND

Service providers boost Reeher software company's reach by rewriting its narrative.

By Christie Washam

Financing a startup on your own dime means being fairly conservative with spending. Anything that can, at least theoretically, be done in-house, should be. That was Andy Reeher's philosophy when he set out to create his software-as-a-service product more than 10 years ago.

Reeher provides a platform for managing fundraising campaigns for higher education. It offers predictive models as well as tools such as donor tracking, annual reports and analytics to help fundraising teams reach donors faster and more effectively.

Growth happened slowly for the St. Paul-based company. Reeher simmered for five years, partly because CEO Andy Reeher wanted to make sure he had a solid foundation; he worked with only a few colleges and universities at first, patiently building and perfecting the product while maintaining total creative control. It was also partly because he was trying to do too much on his own.

"For a small-business person, you almost always want to do things yourself," Reeher says. "Your money is so valuable. But if you spend a dollar the right way, the payback will be enormous."

When he finally decided it was time to look for outside help, he found a wealth of talent that took the company to a new level. First, he had to completely change the way he and his sales crew talked about the program. In 2010, he enlisted the aid of Spyglass Creative, a Minneapolis-based brand marketing firm.

"Andy's team struggled with being too close to the technology," says Molly Rice, president and founding partner of Spyglass. "They know it very well; they get very technical very quickly. They had a hard time telling the story because they're starting in the wrong spot."

Spyglass Creative frames Reeher's story

What was Reeher? What was its place in the market? "We answer all those big chewy questions," Rice says.

Spyglass interviewed typical customers to learn specifics about what they needed and then went to the team at Reeher to essentially retrain them on their brand identity. They created a brand map, developed a strategy and determined how to bring all of it to life.

They figured out the key to everything was speed. Schools wanted to reach donors faster and raise money more quickly, Rice says. So Reeher's ability to meet that need became the company's top selling point. Its resources were targeted to delivering on a customer's demands for speed and usability within budget; the techie jargon simply became background information. The focus was on the customer, not necessarily the product.

When the Reeher brand needed someone to give it legs, the company sought direction from the Belmont Partners PR firm. The co-founders, Brian and Jen Belmont, were former Weber Shandwick employees, so they had big-time public relations experience without the big-time overhead.

REEHER'S COLLEGE CLIENTS

St. Paul-based Reeher, which provides software services for fundraising campaigns, works with colleges and universities across the United States. Here is a sampling of its clients.

- Amherst College
- Connecticut College
- Drexel University
- Duke University
- Gonzaga University
- Harvard Business School
- Johns Hopkins University
- University of California, Davis
- University of Cincinnati
- University of Southern California
- University of Southern Indiana
- Xavier University

SOURCE: REEHER LLC



“For a small-businessperson, your money is so valuable. But if you spend a dollar the right way, the payback will be enormous.

— CEO Andy Reeher

“He was definitely looking for that caliber of support and talent, but didn’t have the large-firm budget,” says Shelli Lissick, partner at Bellmont. “We were able to provide senior-level support strategy and execution. We have the expertise, we can do it quickly and efficiently.”

Bellmont dug into the world of higher education to identify key industry contacts and equipped Reeher with a forum to communicate its distinctive brand. They started out marketing to trade publications. Over the years, the relationship has grown significantly to include video testimonials, webinars for customers, a social media strategy and a blog, says Lissick.

“We are outsiders to higher education,” Reeher notes. “We had to show them we were authentic and had a lot to offer.”

And it worked. Reeher considers his partnership with Bellmont Partners critical to his company’s success. In 2010, Reeher brought in \$1.1 million in revenue. In 2013, working closely with Spyglass and Bellmont, revenue rose to \$3.1 million. Meanwhile, the customer base tripled to include schools such as Harvard Business School and Amherst College in Massachusetts.

Reeher also outsources work on its technical infrastructure, which is done by slashBlue, a St. Paul-based IT firm. The company took this step to ensure that its operations would run smoother and faster, as well as increase the tools it needed to expand the business.

“We’ve been able to help them through

the ups and downs,” slashBlue president Tom Dodds says. “We remove the ankle-biters that grab you everyday. If a software developer is waiting for a slow server for 10 minutes a day, that adds up.”

Eventually, Reeher anticipates that it will outgrow the need to outsource its information technology systems because of the solid footing that slashBlue is providing. Dodds says his company has helped Reeher “embrace the idea of IT themselves.”

For Reeher, using service providers has been a game-changer despite the up-front costs. That doesn’t mean there haven’t been a few bumps along the way, however.

Reeher shopped around to try to find a better deal on its IT consultant, only to end up back with slashBlue less than a year later, as Reeher discovered that the services that slashBlue provided couldn’t be matched by less-expensive firms. It was cost-cutting versus monetizing time, Dodds says: SlashBlue helped make Reeher’s time worth more.

“It’s not easy to find the partners you want to work with,” Reeher says. “It’s important to have a sense of what you’re looking for. It’s possible to get a bad match.”

Reeher says one of the keys to creating a mutually beneficial working relationship with service providers is to really get to know the principals. When both parties fully understand each other and operate without friction, both will reap the benefits of success.

Christie Washam is an editorial intern at Twin Cities Business.

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FINDING FOCUS AT TOOVIO

Mentors, outsourcing help build software startup.

By Burl Gilyard

Toovio is a small start-up company based in a brick-and-timber building in the Warehouse District of downtown Minneapolis. A poster with the motto “Innovate or Die” hangs on the wall. The company, founded in 2010, has just six employees. But its customers—large providers of pre-paid wireless service—are primarily based in Central and South America.

How can a small operation do business on such a large, global scale?

Toovio has tactically tapped a mix of vendors and mentors to build its company, which offers business-to-business marketing software that sifts through tons of metadata to send highly targeted marketing offers based on customer patterns using pre-paid wireless service.

“We’re a big-data company,” says Josh Smith, CEO and co-founder of Toovio. “We profile the past and apply it to the future.”

One important connection for Toovio

has been working with business mentors through the Minnesota Emerging Software Advisory group, which has a mission to bolster the state’s software industry. Smith credits Toovio’s MESA mentors Jim Moar and Todd Krautkremer with helping the company refine its focus to targeting the pre-paid wireless industry. Toovio pays a nominal fee for the mentoring service.

Define what you do well

“We were doing too many different things. When resources are finite and time is a factor ... you can only do one or two things great. And really you should try like hell to make it one,” says Smith. “Every time I sit down with Jim, that’s what it’s about. Is that second one really important? What is the one thing that you need to do in the next month?”

Smith declines to disclose Toovio’s revenue, but says that he’s expecting the company to have positive cash flow by the

end of the second quarter, which will be a milestone for the startup. Smith is grateful for the counsel of experienced entrepreneurs who have built their own companies.

“We don’t know what we don’t know. We’re not sure what challenges are going to come with the next plateau,” Smith says. “It’s a strategy mentorship.”

Moar, who recently retired as CEO of St. Paul-based OptiMine Software, says that he’s enjoyed working with Toovio. Before agreeing to work with a new startup company, the nonprofit weighs whether young CEOs are truly “mentorable.” Moar adds: “It’s essentially ‘Will they listen?’”

Moar says that Smith has brought an open mind to the process.

“I think the world of Josh. ... He’s got a strong desire to succeed with Toovio,” Moar says. “He does take counsel. He is very willing to listen to input. He’s also whip-smart.”

Another key partner for Toovio is St.

Louis Park-based Coherent Solutions, a technology consulting and outsourcing company.

“We’re a startup. We can design the solution, but we need someone to actually build it,” Smith says.

The Minneapolis-to-Minsk connection

Coherent Solutions writes the code and builds Toovio’s software. Although Coherent’s headquarters are here, the company’s development center is on the other side of the world, in Minsk in the Republic of Belarus.

Rob Duff, chief operating officer for Coherent Solutions, says that his company has a staff of about 25 in the Twin Cities, but has 350 people working in Belarus. The labor costs in the Eastern European nation are about 35 to 40 percent of what comparable work would cost in the United States, Duff says.

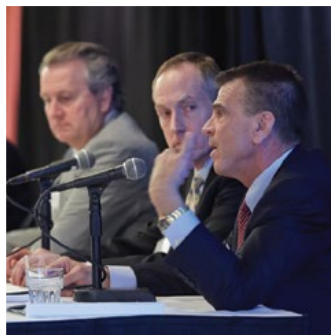
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We’ll highlight some of the most useful insights, solutions and advice shared by our panel of accomplished middle market executives. Topics discussed included acquisitions and divestitures, financing growth, innovation, leadership, succession planning and talent attraction and retention.



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We're a startup. We can design the solution, but we need someone to actually build it.

— Toovio CEO Josh Smith

"They use us as their outsourced development arm," Duff says of Toovio. He adds that customers can interview Coherent staffers to make sure that they have the necessary technical skills. Working with Toovio has gone well, he says. Coherent has three employees in Minsk who are dedicated to working with Toovio.

"It's gone great. They're a very easy customer to work with. They want to get stuff done," Duff says. "They really treat our guys like peers."

Smith, 34, is originally from Columbus, Ohio. Co-founder and chief operating officer Roshan Bhatnagar, 36, is from Chicago.

Smith says that the local business community can be challenging for outsiders to crack: "Minneapolis is an interesting place," Smith reflects. "The Scandinavian sort of culture and mindset, the bad part of it is that it's a little hard to break through sometimes. But once you're able to do it, there are resources here."

Toovio has been bankrolled largely

by money from the founders, but Smith notes that Minnetonka-based Signature Bank provided a line of credit through an SBA-backed loan in 2013. "Those guys are heroes. Signature Bank really filled a gap for us at a key time," says Smith, who did not disclose the amount of the loan.

Smith says that Toovio also turned to Minneapolis-based law firm New Counsel, who bill themselves as "attorneys for entrepreneurs and technology," to hammer out necessary legal agreements.

Looking ahead, Smith is optimistic about prospects for Toovio. As he looks down the road, he's sticking closely to what he's been taught by his MESA mentors.

"Progress can only come through focus. You can only do one or two things great," Smith says. "Focus is the only way to progress. And that's a hard lesson when you're a young company." **TCB**

Burl Gilyard is senior writer at TCB.

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When Personal Health Information Becomes Too Much Information

Employees' online access to protected health information poses a privacy risk for unprepared employers.

What do your employees do at work when they're not doing what you're paying them to do?

Over my 30-plus years in the workforce, I've seen more than my share of the creative ways employees spend part of their work day. My dad used to call what they were doing "government projects."

One person I worked with spent most of her time shopping online. Virtually every time I walked into her office, her screen was full of high-end purses, shoes or dresses. I would pretend not to notice as she fumbled to minimize her next purchase while maintaining eye contact with me so I wouldn't look away.

Online poker, fantasy football, soap opera chat rooms, Ms. Pac-Man, cat toys. You name it and I've probably seen it on someone's computer screen. That's not to mention all the things I've found left on copiers. Utility bills, resumes and tax returns top the list of items I can cite in this column and maintain a sense of propriety.

But nothing I've seen either on a computer screen or left on a copier will compare with—or carry the financial risk of—what employers will start finding around the office sooner rather than later: That's the protected health information, or PHI, of employees.

Two trends are sweeping the health care industry that will make PHI, defined as individually identifiable personal health information, a workplace issue that will be a land mine for employers. The first trend is the digital revolution in health care. One of the last industries to enter the digital age, health care is finally going electronic—encompassing everything from patients' medical records to mobile applications to text messaging with doctors to remote health monitoring to telemedicine. The second is consumer information. Patients are demanding access to price and quality information as well as access to their own medical information and on-demand health care services.

There is a growing recognition in health care that patients, not the hospitals, doctors or pharmacists who treat them, own their own health data, no matter where the infor-

mation resides, including in electronic health records. In February, for example, the federal government for the first time gave patients the right to receive their laboratory test results directly from the labs themselves rather than waiting to receive the lab results from physicians. (You can learn more about accessing your lab results at 1.usa.gov/Mqn0p7.) Mix that with a healthy dose of consumer savvy, and you've got employees looking up their own PHI at work.

In fact, 36 percent of health care organizations now give patients remote online access to their own medical records, according to a recent survey of nearly 300 health care chief information officers by the Health Information and Management Systems Society (HIMSS). That's up from 28 percent last year and 23 percent in 2012. (Survey results are at bit.ly/MZtj3E.) Another survey, of more than 600 physicians by the Deloitte Center for Health Solutions, found that one-third now communicate with patients via email or text messages. (You can read the survey results at bit.ly/1fs5P37).

Unplanned sharing of PHI in the workplace also might not be accidental. There are snoops among us who may not maintain eye contact when they see someone's medical record on a screen, and indulge in learning about tests ordered or medications prescribed. Another survey conducted by HIMSS of nearly 300 health care chief information officers found that the greatest motivator to take measures to protect the privacy of individual medical information in their organizations' possession was deliberate snooping by employees. These are the same employees who presumably know as well as you or me that someone's medical information is private (survey results here: bit.ly/MfILMC).

PLUGGING INTO PATIENTS

Physicians are using a number of electronic means to share medical information with patients

Method	Doctors using method
Communicating with patients by email or text messages	33%
Directing patients to online health care content	26%
Offering online access to schedule visits or access test results	24%
Approving prescription refills for patients online	19%
Using telemedicine capabilities for diagnostic or follow-up visits with patients	15%
Providing mobile capabilities to schedule visits, access test results or medical records, or pay bills	14%
Posting prices for routine services for patients online	4%

SOURCE: DELOITTE CENTER FOR HEALTH SOLUTIONS

All of this unplanned sharing of PHI, made possible by the digitalization of health care and health care consumer data, may pose a liability risk for employers under the privacy provisions of the Health Insurance Portability and Accountability Act of 1996 (HIPAA). The provisions regulate and protect the privacy of personal medical information, and the provisions—and the penalties for violating them—apply to "covered entities" and "business associates." Covered entities are organizations such as hospitals, doctors and health plans, and business associates are any individuals or organizations that handle PHI on behalf of a covered entity. (You can learn more about HIPAA at hhs.gov/ocr/privacy).

The penalties for breaching the privacy of protected health information are steep. Depending on the size, severity and intent of the breach, penalties can be civil (up to \$50,000 per violation) or criminal (up to 10 years in prison). In 2013, there were 199 major breaches of PHI by covered entities and business associates, putting a total of nearly 7.1 million individual patient records at risk, according to a recent report from Redspin (bit.ly/1gf2X6b).

I don't think HIPAA was ever intended to apply to employers unless they specifically were a covered entity or a covered

JUST A CLICK AWAY

A growing number of health care providers are giving patients remote online access to their own personal medical information

YEAR	Health care organizations giving patients access
2014	36%
2013	28%
2012	23%

SOURCE: HIMSS

entity's business associate. It's not hard to imagine an employee or his or her attorney seeking to apply HIPAA to a business that allowed violations of PHI to occur through no fault of its own, however. Given the immediate electronic availability of PHI, the desire for employees to peruse their own PHI and their willingness to do so at work, employers are in a tough position unless they develop policies to protect themselves.

Employers may want to consider:

- Prohibiting access to non-urgent PHI at work.
- Restricting the transmission of non-urgent PHI between employees and covered entities and business associates.
- Designating private space for employees to access urgent and non-urgent PHI.
- Conducting educational sessions on the privacy of PHI and the penalties for violating it.

Smart businesses will get ahead of this one before their CEO prints out his or her lab results and leaves it on the copier. You know it's going to happen. **TCB**

David Burda (twitter.com/davidrburda, dburda@msp-c.com) is editorial director, health care strategies, for MSP-C.



The Route to Effective Philanthropy

Central Corridor Funders' Collaborative, which coordinates development along the new light-rail line, is a partnership that works.

Suggestion: Next time you're driving from Minneapolis to St. Paul, or vice versa, take University Avenue. If you haven't been on the street for a while, good things await you. The street is bustling with activity: some of the best restaurants in the Twin Cities including Ngon Bistro and Homi, crowded Asian markets such as Ha Tien and Sun Foods, new housing and mixed-use projects such as Frogtown Square, and new homes for nonprofits including the Twin Cities' headquarters for Habitat for Humanity and the expansion of Episcopal Homes senior living complex. With more than \$1 billion in private investment underway, and with the spiffy new light-rail line down the center of the street, University Avenue is looking better than ever.

Many people and organizations have worked together to bring these investments to life, including the Central Corridor Funders' Collaborative (CCFC), a 10-year, \$20 million effort begun in 2008. CCFC is the project of 12 local and national foundations created to coordinate strategies, planning and action around the new green line, set to open June 14. An overarching goal was for the public investment in light-rail construction to result in both economic opportunities for local residents and coordinated local investment along the transit corridor, which travels through low- and moderate-income neighborhoods along its route.

With offices at Minnesota Philanthropy Partners in downtown St. Paul, and led by full-time director Jonathan Sage-Martinson, CCFC has four main goals: to ensure access to affordable housing, build a strong local economy, create vibrant, transit-oriented places, and promote effective coordination and collaboration. Key indicators, using 2011 as a baseline, are being tracked and shared publicly. Beyond the success of the work itself, CCFC's attractive, information-rich data and reports, supported by Wilder Research, are setting a new bar for future community projects in terms of transparency and clarity.

CCFC began when members of the philanthropic community came together

to discuss the increase in funding requests they were receiving for projects along the new rail corridor. Their first aim was simply to learn what was happening along the entire corridor, known as the Green Line, from downtown St. Paul's Union Depot to the green line's junction at Target Field station with the existing Blue (Hiawatha) Line. Urban Strategies Group had already worked with the City of St. Paul to create a coordinated development strategy for the St. Paul portions of the central corridor, one that created an inclusive vision for people, businesses, and community organizations. The Metropolitan Council also had created a strategic vision for area business development, which the group studied. Speakers from other cities were invited to share their region's successes and missteps in leveraging investments in new transit projects.

Funders learned that Twin Cities' business and civic networks already were working to ensure that local neighbor-

“We've discovered a whole new way of learning and working together, and we are all so much smarter because of it.”

—Polly Talen,
Central Corridor Funders' Collaborative

hoods and businesses would benefit from the major investment in light rail. Over the past several years, CCFC has become the convener of and communicator among these networks, helping coordinate their activities and share information. Among the working groups convened around the corridor are the Business Resources Collaborative, the Joint Committee on Equal Opportunity and Disadvantaged Business



Thai Café opened in 2011 along the new Frogtown Square complex created by the Central Corridor light-rail line.

CENTRAL CORRIDOR FUNDERS' COLLABORATIVE

Enterprises, and Jobs Central.

CCFC has awarded more than \$9.8 million in grants to spur job opportunity, affordable housing, and economic development, but its coordinating and communication functions are what have set this group apart from prior grantmaking collaborations.

“We've discovered a whole new way of learning and working together,” says Polly Talen of the John S. and James L. Knight Foundation and co-chair of the Collaborative, “and we are all so much smarter because of it.” Sage-Martinson has been invited to dozens of national conferences to present information about CCFC and discuss the collaborative's impressive results.

And just what results can CCFC demonstrate? While some existing businesses suffered during construction, and some closed, new businesses are opening. In its 2013 report, CCFC shows a gain of two businesses since light rail construction began in 2011. Through its Catalyst Fund, CCFC leveraged \$42 million for the corridor and helped attract \$20 million in additional grants and loans to the region in 2012. In the same year, more than 500 small-business owners received more

than 12,000 hours of technical assistance through CCFC initiatives, and nearly 200 businesses received loans for construction mitigation or other purposes.

With the opening of the Green Line just weeks away, there are many ways to get involved and to take advantage of both CCFC's work and the new economic opportunities along the corridor. Visit the Met Council website (metrocouncil.org) for a schedule of grand opening festivities, ride the train or drive the route to check out civic investments completed and in progress, and encourage your business to join the collaborative to help continue its work—CCFC wants to ensure that light-rail transit provides economic opportunity “beyond the rail.”

Beyond that important goal, CCFC is showing how large-scale projects can benefit from shared learning and coordinated action among diverse civic and business players. “When people get involved, projects get better,” says Sage-Martinson. And he has the numbers to prove it. **TCB**

Sarah Lutman is a St. Paul-based independent consultant and writer for clients in the cultural, media and philanthropic sectors.



He Said, She Said

Gender-rooted miscommunication is endemic in the workplace, but it doesn't have to divide your organization.

Let's be honest: Do you sometimes get frustrated with a co-worker because they are acting "like such a woman" or "like such a man"—whichever is the opposite of yourself?

Although it may not be politically correct to declare it, you can't tell me that there isn't a difference between the sexes and how we behave and communicate. Consider this difference: Men use public restrooms solely for biological reasons and get in and out as soon as possible.

For women, public restrooms can be social lounges, and a trip can be an excuse to strike up conversation.

Or let's review how we communicate with same-gender friends. When Cathy, Susan, Linda and Deb go out for lunch, they call each other Cathy, Susan, Linda and Deb. But when Mike, Bob, Dave and Jeff go out for lunch, they call each other Dude, Brother, Big Guy or Stud. On a girl's night out, women talk about everything going on in their lives and then likely follow up the next day with phone calls, texts and Facebook posts. Men use about 25 words all evening, including "beer," "more beer," "football," "basketball," "golf," "ultimate fighting," "hockey," "burgers" and "fries"—and then we don't have to speak to each other again for months.

Whether or not you appreciate these observations and my attempt at humor, you have probably noticed that differences in gender communication can cause serious trouble in the workplace. Years ago I read a book titled *He Said, She Said*, which became required reading for law school students. It taught that during direct and cross-examination in a trial, the way questions were formed and how certain words were used could elicit different responses depending upon the witness' gender. For

instance, the word "why" is threatening to males, making them feel second-guessed, but is perceived benignly by women.

While it is probably risky to generalize about gender differences in communications, be aware that gender may be the reason your organization has trouble making decisions and getting things done. Let's look at five examples and some actions business leaders can take to improve communication:



oriented than men and will take time to build relationships, while men are more task-oriented and view relationship-building as something embedded in work on a project. Also, societal norms dictate that women should avoid conflict and maintain harmony, which can translate into statements that are hedged with "if you don't mind" or "it might be a good idea if you" Men may erroneously interpret these statements to mean that women are

not confident in their directives. On the other hand, when men are direct in their demands or directives, women may misinterpret them as being arrogant or supercilious.

Action: Coach women to be more direct and coach men to be more sensitive to feelings and the human element in accomplishing tasks.

Decision-making

► Men generally process information internally, then declare a decision or provide a solution. Contrarily, women often analyze by exploring and discussing options before making a

decision. This difference can cause trouble in the workplace if women misinterpret the male process as being unresponsive or ignoring input, and if men misinterpret the female decision-making process as seeking their approval.

Action: Create a culture where the decision-making styles are understood and respected. While this requires more patience, you reach the appropriate solution.

Negotiating

► Gender differences can influence the outcome of negotiations. Research shows that men's behavior is generally more competitive, or self-interested, than that of women, so in negotiations men command more favorable outcomes on average.

According UC-Berkeley research, men are thought to be "rational, assertive and highly protective of their own interests ... women on the other hand, are thought to be more passive, emotional and accommodating of other's needs."

Action: Be aware of these stereotypes during negotiations and adapt strategies accordingly. For example, men may be assigned to negotiating an acquisition, but women may be better qualified for integration of the transaction.

Teamwork

► Although studies show that women generally talk more than men, the opposite is true in meetings. In a group, men take up more time talking than women do, and women try to make sure there is equality. In general, men interrupt and talk over women more often than women interrupt men. Non-verbal communication also differs: Women nod their heads to indicate they are listening, whether they agree or not, while a head nod unequivocally means agreement to a man. These miscommunications can cause conflict on teams when people aren't listening to each other and/or are misinterpreting body language.

Action: To avoid team breakdown, allow minimal interruptions, assure more equal talk time and value mutual respect on your team regardless of gender. Don't let men dominate the discussion and encourage women to speak up at meetings.

Business relationships are built on communication, and the way we communicate is often dictated by our gender. This doesn't mean one way is better than another; it just means we must learn to understand each other and resist jumping to the wrong conclusion. And when gender differences in communication cause you to make a mistake, if you are a woman, you will admit it, and if you're a man ... well, we all know the answer to that. **TCB**

Mark W. Sheffert (mark@manchestercorporations.com) is founder, chairman and CEO of Manchester Companies, Inc., a Minneapolis-based performance improvement, board governance and litigation advisory firm.

Asking questions

► Men typically ask questions to get tangible information, while women sometimes ask questions simply to demonstrate interest and build relationships. Men may react uncomfortably to this kind of questioning.

Action: Make decision-making more effective by creating a culture that encourages and respects fully engaged discussions, deliberations and questions. It's important for everyone to get and give clarification and arrive at a consensus (albeit through different processes).

Giving directives

► Women tend to soften instructions or be less direct than men. Studies have shown that women tend to be more relationship-



Either/Ore

The news on the Iron Range is mostly good—but what's up with Essar Steel?

This year the Iron Range is celebrating 130 years of iron mining in Minnesota. In 1884, the Soudan mine, on the shores of Lake Vermilion, was officially opened. That mine was closed in 1962, but iron mining continues—and is expected to endure for more decades.

The proposed PolyMet copper-nickel mine has been getting all the attention lately. But the ongoing mining story on the Iron Range remains, of course, iron. And for more than a century, the Iron Range has proven to be remarkably abundant in that particular element.

When natural iron ore, or hematite, began to disappear after World War II, less pure but more plentiful taconite took its place. The decline of the U.S. steel industry in the 1970s presaged the disappearance of the Iron Range as a supplier of ore, and indeed many mines shut down in the last quarter of the 20th century. And yet the Range has continued to produce. After a deep decline in the Great Recession, production has been climbing again.

"Minnesota supplies 80 percent of the first-pour [new] steel in the United States," says Craig Pagel, president of the Iron Mining Association of Minnesota in Duluth. Recycled steel, he adds, is too brittle for many applications, including automobiles. What's more, the industry has been expanding. "Seven years ago, there were six iron ore mines—now there are 10," Pagel notes.

At least one mine, Minntac in Mountain Iron, has plans to grow. The Minntac mine, which is owned and operated by U.S. Steel, in January received state permits that will allow an expansion; one federal permit was remaining as of early March. Assuming that permit comes through, U.S. Steel plans to increase the taconite mine by 483 acres. That would mean producing pellets for another 16 years.

But perhaps the bigger deal is 35 miles to the west, in Nashwauk. Essar Steel has been building a new plant out of the



figurative ashes of the Butler Taconite facility, which closed in 1985. Essar Steel Minnesota, part of a giant conglomerate based in India that also is involved in energy production and shipping, broke ground on the Nashwauk plant in 2008. Originally, Essar planned to produce direct reduced iron, a more valuable product than taconite pellets. Then it was to turn that iron into steel, all in one location. Completion of the project was expected in four years.

In 2012, Essar announced plans to open in 2013. But it's still not up and running,

and it's unclear when it will be operational.

In January, the company announced another delay as it sought more money for the project. The company also had halved its construction crew. And in late February, Duluth-Superior television station WDIO reported that the company owes millions to construction contractors on the project.

In response to TCB questions, Essar officials wrote that the plant that has been under construction will produce taconite pellets. It still holds environmental permits for direct reduced iron and steel production, but those products aren't currently in the plans.

Regarding its financing, Essar wrote: "The change in project scope and securing additional debt require, among other things, approvals from our current project lenders, which [are] at an advanced stage. Essar Steel Minnesota expects the financial closure to occur relatively soon."

In any case, \$73 million in state money is tied up in the project. Unless Essar does obtain that money soon, this project is going to result in one big mess on the Range.

It also could mean that hundreds of jobs are in jeopardy. But even if this project fizzles, there still might be a large number of mining jobs opening up. Jan Saxhaug, the Northeast Minnesota labor market analyst for the state's Department of Employment and Economic Development, reports that 26 percent of all workers in the state's mining industry were within 10 years of the retirement age of 65 at the end of 2012.

The mining sector includes many well-paid jobs. In the third quarter of 2013, Saxhaug says the average weekly wage in the sector was \$1,685. At that time, there

MINNESOTA'S TACONITE MINING EXPANDS

Minnesota's nine mining operations pay taxes on the taconite extracted from the Iron Range. During 2014, the taconite tonnage that is taxable is expected to increase by about 4.5 percent. The tonnage is projected to grow from 38.5 million in 2013 to 40.2 million in 2014.

Company	2013	2014
ArcelorMittal	2,645,243	2,600,000
Hibbing Taconite (Cliffs)	7,312,252	7,600,000
Magnetation LLC	958,627	1,000,000
Mesabi Nugget	210,573	300,000
Mining Resources	90,587	100,000
Northshore	3,776,603	5,000,000
Keetac (U.S. Steel)	4,956,740	5,000,000
Minntac (U.S. Steel)	13,448,911	13,500,000
United Taconite (Cliffs)	5,081,692	5,100,000
TOTAL TONNAGE	38,481,228	40,200,000

SOURCE: MINNESOTA DEPARTMENT OF REVENUE

IRON MINING BY THE NUMBERS

The iron mining industry contributes about **\$1.8 billion** a year to Minnesota's economy through purchases, wages and benefits, taxes and royalties.

...

Mining companies paid **\$73.1 million** in production taxes payable in 2012. (They are paid in lieu of property taxes.)

...

Royalty payments from mining companies amounted to **\$34.3 million** payable in 2012.

...

From the **\$107.4 million** that government collected from taxes and royalties, **\$49 million** flowed to education programs.

...

K-12 schools received **\$36.6 million** of the **\$49 million**.

...

University of Minnesota trust funds received **\$12.4 million** of the **\$49 million**.

SOURCES: MINNESOTA DEPARTMENT OF REVENUE, MINNESOTA DNR AND IRON MINING ASSOCIATION OF MINNESOTA

were 4,494 jobs in the mining industry in northeast Minnesota.

As Pagel notes, however, "As the steel industry goes, so does the iron ore industry." Minnesota's ore goes almost entirely to the domestic steel industry, primarily in the Midwest. And that industry continues to face pressure from overseas dumping, Pagel says.

The iron- and steel-related businesses that have a presence in Minnesota have been facing some struggles. U.S. Steel reported a \$2.1 billion loss for 2013. Cleveland, Ohio-based Cliffs Natural Resources owns and operates Northshore Mining in Silver Bay and Babbitt, and United Taconite in Eveleth and Forbes (it also co-owns Hibbing Taconite), and it reported a 3 percent decrease in revenue from 2012.

And there's another potential challenge on the horizon.

The U.S. auto industry, which absorbs 20 percent of domestic steel production, is exploring the use of more aluminum in cars and even trucks to reduce weight and increase fuel efficiency. The steel industry might have to adjust to this new competition from aluminum by developing new types of lighter-weight metals. Otherwise, demand for Minnesota iron—nearly all of which goes to domestic steel manufacturers—could decline significantly.

If this happens, the Iron Range might need all the resilience it can muster. One could say that it always needs it. Yet even with shrinking employment numbers, it has always found it, and has done so for 130 years. **TCB**

Gene Rebeck is TCB's northern Minnesota correspondent.



A Number for Life – the New New SAT

**To: Mr. David Coleman
President, College Board
New York, NY**

Dear Mr. Coleman:

For the second time in eight years, the College Board has announced that it will radically change the Scholastic Aptitude Test (SAT) for use in the spring of 2016.

Now pretty much everyone reading this letter has taken either the SAT or its competing test, the ACT. They are, in fact, the Fannie Mae and Freddie Mac of educational attainment. It is fair to say that there are a few numbers that every person in this country born in the last 60 years will know about themselves: Social Security number, total cholesterol number and their SAT score. A person goes through life silently measuring themselves against their peers, colleagues and their children based on their SAT score. When I was in college, I even knew girls who boasted about the SAT or ACT score of their boyfriends. Marriages were founded on flimsier grounds than the one-morning stand of the SAT exam.

The ubiquitous but mysterious College Board is a lot like those other organizations that affect our daily lives: Fannie Mae, Freddie Mac and the Federal Reserve. Neither the College Board nor ACT Inc. are publicly traded, and both make hundreds

of millions of dollars in fees from anxious students and their even more anxious parents (and in taxpayer money through state legislatures). All of these organizations affect our daily lives in direct but somewhat murky ways. And so a change such as the SAT announcement is a tectonic movement under our very feet.

The most recently announced changes in the SAT will make it seem a great deal more like the ACT: no penalty for guessing (Remember when we were counseled not to guess on the SAT, but to go ahead and guess on the ACT?), a reversion to a 1,600-point scale (all the better to compare our grades with our own children) and a change in emphasis to that which is taught in high school. As reported in the *New York Times*, the fact that the ACT is now administered to more students than the SAT probably played a role in the College Board's decision to announce these changes.

Testing advisory services like Kaplan and Princeton Review charge billions of dollars to help students increase their SAT and ACT scores. The *New York Times* published a chart showing a direct correlation between SAT scores and self-reported household income; as test scores went up, so did self-reported household income. Access to expensive test preparation clearly is helpful.

In the face of this well-known correlation, the College Board has asserted that



the new SAT test will close the income gap by waiving fees for low-income students and providing free online test preparation. These steps are likely to have no impact.

Critics of the SAT, such as Randolph Arguelles writing in the *Wall Street Journal*, have pointed out that free online and in-person tutoring for underperforming students has been available for a long time. Further, to the extent the SAT and ACT mirror high school curricula, these tests will do nothing more than reflect the income variation that exists presently between high schools—rich suburban high schools typically do a great deal better than poor

urban-center high schools. In fact, some of these critics have gone on to say that the SAT will further highlight these disparities. What should be done?

Standardized testing is not about to go away. Most colleges and universities will continue to rely on standardized tests as the only way to weed through an avalanche of admission requests. The entire testing and application business generates many billions of dollars a year—such industries do not disappear quickly.

A student's GPA represents a rough measure of their body of work over a four-year period—it's much more predictive of collegiate success than the SAT or ACT. For this reason, if you're really serious about improving the quality of college applicants, the answer lies in devoting time and effort to developing a more rigorous and standardized high school curricula. The development of a core curricula to be used in this nation's high schools would do a great deal more to solve the income disparity in our education system than changing whether or not you are penalized for guessing on the SAT.

Sincerely yours,

Vance K. Opperman
Owner of a No.2 Pencil

Vance K. Opperman (vopperman@keyinvestment.com) is owner and CEO of MSP Communications, which publishes Twin Cities Business.

SAT VS. ACT TESTS

Less than 10 percent of college-bound seniors in Minnesota take the SAT test. About 74 percent of Minnesotans who graduated from high school in 2013 took the ACT test. In 2013, Minnesota's average composite ACT score of 23.0 was the highest in the nation among the 28 states in which more than half of the college-bound students took the test.

Among Minnesota students, typical SAT test-takers are those considering applications to selective out-of-state colleges and national scholarship programs.

THE SAT IN MINNESOTA

- › The number of test-takers fell from **4,053** students in **2011-12** to **3,749** in **2012-13**.
- › Test-takers had a mean high school grade point average of **3.72**.
- › **80%** of test-takers ranked in the top **20** percent of their high schools.
- › **84%** of test-takers had at least one parent who had a bachelor's degree or higher.

SOURCE: MINNESOTA OFFICE OF HIGHER EDUCATION

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